Mullen Group Ltd.

2009 ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis
Consolidated Financial Statements
and
Notes to the Consolidated Financial Statements

Our Life is the Highway™

CONTENTS

HIGHLIGHTS

- Completed conversion from an income trust to a growth oriented corporation
- Strengthened the Balance Sheet
    - Closed $125.0 million convertible unsecured subordinated debenture offering
    - Established $75.0 million three year extendible revolving Bank Credit Facility
    - As at December 31, 2009:
        - Net debt - $251.7 million (defined as total long-term debt plus Debentures less working capital)
        - Debt-to-equity ratio – 0.45:1
        - Available Bank Credit Facility - $75.0 million
- Adapted to Economic Challenges
    - Maintained operating margin despite consolidated revenue declining 25.6 percent to $978.0 million and operating income declining 29.9 percent to $191.6 million from 2008
- Initiated a quarterly dividend of $0.125 per common share
- $40.0 million unrealized foreign exchange gain increased net income and lowered the carrying value of long-term debt

OPERATING BUSINESS UNITS

Trucking/Logistics segment:

Cascade Carriers L.P.
Kleysen Group L.P.
Mullen Trucking L.P.
Payne Transportation L.P.
Grimshaw Trucking L.P.
Mill Creek Motor Freight L.P.
Tenold Transportation Limited Partnership

Oilfield Services segment:

Drilling Services
OK Drilling Services L.P.
TREO Drilling Services L.P.

Drilling Related Services
Formula Powell L.P.
FSJ L.A.N.D. Transport L.P.
Mullen Oilfield Services L.P.
Pe Ben Oilfield Services L.P.
Swanberg Bros. Trucking L.P.
Withers L.P.

Production Services
Brady Oilfield Services L.P.
Cascade Energy Services L.P.(1)
E-Can Oilfield Services L.P.
Heavy Crude Hauling L.P.
Pro North Oilfield Services
R.E. Line Trucking (Coleville) Ltd. (1)
Spearing Service L.P.

Specialized Services
Canadian Dewatering L.P.
Premay Equipment L.P.
Premay Pipeline Hauling L.P.

(1) Acquired in 2008

MULLEN GROUP LTD.
2009 ANNUAL FINANCIAL REPORT

FORWARD-LOOKING INFORMATION STATEMENT

This Management's Discussion and Analysis ("MD&A"), dated February 24, 2010, reflects management's expectations regarding Mullen Group Ltd.'s ("Mullen Group" and/or the "Corporation") future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "objective", "will", "should", "believe", "plan", "intend", "ongoing", "estimate", "may", "project" or similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward-looking statements within the meaning of applicable Canadian Securities laws relating to:

- Mullen Group's intent to use working capital, the Bank Credit Facility (as hereafter defined on page 7), and cash flow from operating activities generated in 2010 to finance ongoing working capital requirements, dividends declared by the Board, and its 2010 net capital expenditures budget referred to under the Capital Resources and Liquidity section beginning on page 25; and

- the belief that the worst of the financial crisis is behind us which we believe will be positive for the Mullen Group, however, we expect the markets we serve to remain competitive and challenging for most of 2010, referred to in the Outlook section on page 59.

Readers are cautioned that expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, Mullen Group has made the following assumptions:

- the intention to use working capital, the Bank Credit Facility, and cash flow from operating activities generated in 2010 to finance ongoing working capital requirements, dividends declared by the Board and its 2010 net capital expenditures budget was based on Mullen Group's belief that its access to cash will exceed its expected requirements; and

- the assumptions concerning the financial markets, the general economy and activity levels for 2010 to remain well below those of 2008 and that we expect the markets we serve to remain competitive and challenging.

Although Mullen Group believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Mullen Group can give no assurance that they will prove to be correct.

Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the service and energy industry in general; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory, securityholder and other approvals as may be required from time to time; and changes in legislation, including but not limited to tax laws and environmental regulations. Accordingly, readers should not place undue reliance on the forward-looking statements contained in this MD&A.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Mullen Group are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements contained in this MD&A are made as of the date hereof and Mullen Group undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. Mullen Group relies on litigation protection for "forward-looking" statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

General

This MD&A for the fiscal year ended December 31, 2009 should be read in conjunction with the annual audited consolidated financial statements of Mullen Group for the fiscal year ended December 31, 2009 (the "2009 Annuals"). All amounts are in Canadian funds unless otherwise indicated. On May 1, 2009, Mullen Group Income Fund (the "Fund") converted from an income trust to a corporation whereby the business of the Fund is now carried on as a continuity of interest under Mullen Group, as detailed on page 6 under Significant Developments. Additional information on Mullen Group, including Mullen Group's Annual Information Form dated February 24, 2010 is available on SEDAR at www.sedar.com and on Mullen Group's website at www.mullen-group.com or, on request, free of charge from Mullen Group's Investor Services group, ir@mullen-group.com.

Corporate Profile

Mullen Group owns a network of independently operated businesses. Mullen Group is recognized as the largest provider of specialized transportation and related services to the oil and natural gas industry in western Canada and is one of the leading suppliers of trucking and logistics services in Canada – two sectors of the economy in which Mullen Group has strong business relationships and industry leadership. Mullen Group was incorporated on March 12, 2009 and commenced operations on May 1, 2009 as a result of the completion of a Plan of Arrangement (the "Arrangement") on May 1, 2009 under the Business Corporations Act (Alberta) involving, among others, Mullen Group, the Fund, Mullen Group Inc., MT Investments Inc. ("MT"), Mullen Co. Limited Partnership ("MCLP"), Mullen Holding Trust, Mullen Holding Co. Ltd., MTI Holding Co. Ltd, 1454593 Alberta Ltd., CIBC Mellon Trust Company (as voting and exchange Trustee), the holders of senior notes of MT and Securityholders (as hereafter defined on page 6) of the Fund and MCLP. Pursuant to the Arrangement, among other things, all of the issued and outstanding trust units ("Units") of the Fund and Class B limited partnership units ("MCLP B Units") of MCLP became common shares of Mullen Group and all of the subsidiaries (whether directly or indirectly owned) and operating businesses of the Fund became subsidiaries and operating businesses of Mullen Group. These indirect subsidiaries and operating business (whether limited partnerships or other entities) of Mullen Group carry on the business of Mullen Group. Mullen Group is a publicly-traded company listed on the Toronto Stock Exchange under the symbol "MTL".

Mullen Group was established for the purposes of acquiring or investing in the securities of MT, formally known as Mullen Transportation, or any associate or affiliate thereof or any other entity involved in any business. Such business may involve the ownership, lease or operation of assets, property or businesses, related to the transportation, distribution or storage of freight or the provision of transportation, warehousing, drilling or other services related to exploration for or drilling, extracting, gathering, processing, transporting, buying, storing or selling of petroleum, natural gas, natural gas liquids, water, minerals or other related products, power or other forms of energy, and any and all related businesses.

Summary Description of Business

The businesses of Mullen Group are operated through 25 wholly-owned companies and limited partnerships. These 25 operating businesses, which are owned indirectly by Mullen Group, are divided into two distinct business segments; Oilfield Services and Trucking/Logistics. The segments are differentiated by the type of service provided, equipment requirements and customer needs. The capital and financial expertise, technology and systems support and strategic planning for the operating businesses is provided by Mullen Group. The day to day management of the operating businesses is conducted at the business unit level.

At December 31, 2009, the Oilfield Services segment consisted of 18 operating businesses and utilized its highly trained personnel to provide specialized transportation services, drilling services and well-servicing equipment and warehousing to the oil and natural gas industry. These services include drilling rig relocation services, conductor pipe setting, core drilling, shallow gas and coal-bed methane drilling, casing setting, transporting of oversize and overweight shipments, pipe stockpiling and stringing, the transportation, handling and storage of oilfield fluids, tubulars and drilling mud, dredging and dewatering services and a broad range of services related to the processing and production of heavy oil, including well-servicing and pumping, hauling and disposal of fluids. The Trucking/Logistics segment consisted of 7 operating businesses offering a diversified range of truckload and less-than-truckload general freight services to customers in Canada, the United States and Mexico. These services include transporting a wide range of goods including general freight, specialized commodities such as cable, pipe and steel, over-dimensional loads such as heavy equipment, compressors and over-sized goods and dry bulk commodities such as cement and other dry bulk goods. In addition, the Trucking/Logistics segment provides logistics, warehousing and distribution, transload and intermodal services primarily in western Canada.

Each of Mullen Group's 25 business units operates as a separate business accountable for its own performance and profitability. The businesses utilize both their own equipment and the services and equipment of owner-operators and subcontractors. As at December 31, 2009, Mullen Group owned or leased 1,930 power units; had access to an additional 1,032 power units under contract with owner-operators and dedicated subcontractors; and employed approximately 4,150 people including owner-operators and dedicated subcontractors. Mullen Group also owned or leased 5,974 trailers (the vast majority of which are owned by Mullen Group), which include vans, flatbeds, dry bulk trailers, specialized trailers and temperature-controlled trailers. In addition, as at December 31, 2009, Mullen Group owned a fleet of truck-mounted drilling units, including 31 hydraulic single rigs capable of coring, surface casing and shallow gas drilling, 19 auger drilling rigs and 2 dual rotary rigs.

Disclosure Regarding Issuer Bid

Mullen Group commenced a normal course issuer bid (the "Normal Course Issuer Bid") on June 15, 2009, to purchase from time to time, as it considers advisable, up to 7,379,118 of its issued and outstanding common shares on the open market through the facilities of the Toronto Stock Exchange. The Normal Course Issuer Bid will terminate on June 14, 2010, or such earlier time as the bid is completed or terminated by Mullen Group. No common shares were repurchased during 2009. Copies of the Notice of Intention to Make a Normal Course Issuer Bid dated June 11, 2009 pursuant to which the Normal Course Issuer Bid was made, may be obtained by securityholders, without charge, by contacting Mullen Group at 121A - 31 Southridge Drive, Okotoks, Alberta, T1S 2N3 (Telephone: (403) 995-5200, Telecopy: (403) 995-5296).

Accounting Principles

Mullen Group's audited consolidated financial statements for the years ended December 31, 2009 and 2008, have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The audited consolidated financial statements and MD&A were reviewed by Mullen Group's Audit Committee on February 24, 2010 and approved by Mullen Group's Board on February 24, 2010.

Mullen Group reports on certain non-GAAP measures that are used by management to evaluate performance of Mullen Group. Management believes these measures are useful supplemental measures. These non-GAAP measures do not have standardized meanings and may not be comparable to similar measures presented by other companies or income trusts. Specifically, operating income, funds from operations and funds from operations per share are not measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. For the readers' reference, the definition, calculation and reconciliation of non-GAAP measures is provided in the "Glossary of Terms and Reconciliation of Non-GAAP Terms" section of the MD&A. Readers should be cautioned that these non-GAAP measures should not replace net income and cash flow from operating activities as indicators of GAAP performance.

Materiality of Disclosures

Management determines whether or not information is "material" based on whether it believes a reasonable investor's decision to buy, sell or hold securities in Mullen Group would likely be influenced or changed if the information were omitted or misstated.

Objective of Mullen Group

The objective of Mullen Group is to maximize the overall returns to shareholders in two ways. The first is by growing Mullen Group's business through a combination of internal growth initiatives as well as through the acquisition of profitable and well-managed businesses in the sectors of the economy where Mullen Group feels opportunities exist or where Mullen Group has strong market penetration and business experience, including the oil and natural gas service industry and the transportation and distribution of freight within the North American economy. Since going public in 1993, Mullen Group, and its predecessor Mullen Transportation, have acquired approximately 40 businesses and have grown annual revenues to $978.0 million in 2009 from $72.6 million in 1993. The second is by the distribution of income to shareholders through the establishment of a dividend policy.

Quality and Customer Service

The business of Mullen Group is managed on behalf of its shareholders based upon the principles of generating superior profitability and striving for excellence in safety. To achieve these two goals Mullen Group has committed to the principles of Total Quality Management, which have been incorporated into Mullen Group's program known as "On the Road to Quality". This award winning program is based upon the foundation that Mullen Group's people are the key to the future success of Mullen Group. In support of this belief Mullen Group seeks to provide its employees with:

- A quality work environment
- On-going training and skills upgrading
- Career growth opportunities
- Effective technology to enhance systems and processes
- Incentive based-pay

Operating in a team environment, Mullen Group challenges its employees to make decisions on all aspects relating to the operations of the business. By doing so, Mullen Group believes that it can improve customer service, enhance business processes, maintain cost controls, obtain excellence in safety and generate superior profitability.

Operating Strategy

Mullen Group's approach to managing its business, assets and cash flows to achieve the maximum overall returns to shareholders is based upon the following strategy:

(1) **Operate a decentralized business model** – Mullen Group provides overall support to the operating businesses, which are each held accountable for their own performance and results. The management and employees of these business units are remunerated based upon the performance of their business unit.

(2) **Maximize asset utilization** – utilize a combination of company-owned and operated equipment, which are either acquired as an asset or under operating leases, owner-operator equipment, dedicated subcontractors and subcontractors on an as-needed basis.

(3) **Invest in energy** – invest in western Canada where the economic growth is higher due to the oil and natural gas and mining sectors of the economy and where Mullen Group believes future growth opportunities exist.

(4) **Invest in accretive acquisitions** – acquire competing, complementary or new business lines that can accelerate Mullen Group's growth potential.

(5) **Diversify** – continue to grow and invest where opportunities exist in the two segments of the economy where Mullen Group has strong market penetration and customer relationships, namely: the oil and natural gas services industry, and the transportation and distribution of freight within North America.

(6) **Maintain a well structured balance sheet.**

SIGNIFICANT DEVELOPMENTS

Converted from an Income Trust to a Corporation

On May 1, 2009, the holders of Units of the Fund and MCLP B Units of MCLP (collectively, "Securityholders") approved the Arrangement that resulted in the conversion of the Fund from an open-ended income trust to a corporation called Mullen Group Ltd. Pursuant to the Arrangement, Securityholders received one common share of Mullen Group in exchange for each Unit or MCLP B Unit held. Mullen Group as the successor in interest to the Fund will be accounted for as a continuity of interest. As a result, the consolidated financial statements of Mullen Group for the year ended December 31, 2009 and comparables for the year ended December 31, 2008 reflect the financial position, results of operations and cash flows as if Mullen Group had always carried on the business formerly carried on by the Fund. Throughout this MD&A, references made to cash distributions declared, cash distributions per unit, and cash distributions paid reflect business of the Fund that occurred prior to conversion from an open-ended income trust to Mullen Group. The operating businesses, previously owned by the Fund and which are now owned by Mullen Group, continue to be divided into two distinct business segments: Oilfield Services and Trucking/Logistics. Each segment, through its diversified business units, supplies different services to two sectors of the economy – the oil and natural gas industry and to companies requiring the transportation and distribution of freight – areas where these businesses have developed strong business relationships and industry leadership.

Convertible Unsecured Subordinated Debentures

On May 1, 2009, Mullen Group issued by way of private placement an aggregate principal amount of $125.0 million of convertible unsecured subordinated debentures (the "Debentures") at a price of $1,000 per Debenture. The Debentures mature on July 1, 2018 and bear interest at an annual rate of 10.0 percent payable quarterly in arrears on March 31, June 30, September 30, and December 31 in each year beginning June 30, 2009. Mullen Group may elect to satisfy its interest obligation on any interest payment date by issuing and delivering, subject to regulatory approval, common shares to Debenture holders. If Mullen Group elects to pay interest by issuing and delivering common shares for any period (other than maturity), interest for that period will be payable at 20.0 percent per annum (rather than 10.0 percent).

Each $1,000 Debenture is convertible into 93.2 common shares of Mullen Group (such is based on a conversion price of $10.73) at any time at the option of the holders of the Debentures. Thus, an aggregate of approximately 11.65 million common shares of Mullen Group may be issued if all holders convert their principal amount. The proceeds of the offering are being used for working capital and for general corporate purposes. As subordinated debt, the accounting value assigned to the Debentures, including any related interest expense, is excluded from Mullen Group's financial covenant calculations under the Bank Credit Facility (as hereafter defined on page 7) and the Private Placement Debt (as hereafter defined on page 27)

The Debentures are comprised of both a debt and equity component which are presented separately on Mullen Group's consolidated balance sheet. The debt component represents the total discounted present value of both the quarterly interest obligations and the principal payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. The result is an accounting value assigned to the debt component of the Debentures which is less than the principal amount due at maturity. The debt component presented on the consolidated balance sheet will increase over the term of the Debentures to the full face value of the outstanding Debentures at maturity. This increase will be recognized in the financial statements through a notional increase to interest and accretion expense on the Debentures and a resulting decrease to net income. In the event Debentures are converted prior to maturity, the difference between the carrying amount of such Debentures and their face value would be charged to interest and accretion expense. The equity component of the Debentures is presented under "Shareholders' equity" in the consolidated balance sheet. The equity component represents the difference between the face value of the

Debentures (namely, $125.0 million) and the accounting value assigned to the debt component of the Debentures at the date of issue (namely, $117.8 million). Subject to the impact of Debentures being converted, this equity component amount will remain constant over the term of the Debentures. Upon conversion of Debentures into common shares, a proportionate amount of both the debt and equity components will be transferred to Shareholder's capital. Interest and accretion expense on the Debentures is reflected within interest and accretion expense in the consolidated statement of income. This accounting treatment is compliant with both International Financial Reporting Standards ("IFRS") and GAAP.

Canadian Institute of Chartered Accountants ("CICA") Section 3855 provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments. The transaction costs associated with the Debentures were $2.3 million and are being amortized over the term of the Debentures. If the holders of the Debentures convert the principal portion to common shares prior to maturity, the unamortized transaction costs would be immediately expensed and would thereby decrease earnings. At December 31, 2009, a total of $2.2 million of unamortized transaction costs continue to be amortized.

On maturity, Mullen Group may, at its option, on not more than 60 days and not less than 40 days prior notice and subject to regulatory approval, elect to satisfy its obligation to repay the principal amount of the Debentures by issuing and delivering that number of freely tradeable common shares of Mullen Group, obtained by dividing the principal amount of the Debentures by 95.0 percent of the volume weighted average trading price of the common shares of Mullen Group on the TSX for the five consecutive trading days ending five trading days preceding the date of maturity.

Bank Credit Facility

On May 1, 2009, in connection with the conversion from an income trust to a corporation, Mullen Group changed its corporate structure which required it to enter into a new credit facility with its lender. As a result, Mullen Group entered into a new $75.0 million three year extendible revolving unsecured credit facility ("Bank Credit Facility"). Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus a fee which varies from 1.25 percent to 2.25 percent or bankers' acceptance rates plus an acceptance fee which varies from 2.25 percent to 3.25 percent per annum based upon achieving certain financial ratios. At December 31, 2009, no amounts were drawn on this facility. This facility requires Mullen Group to be in compliance with certain covenants. At December 31, 2009, Mullen Group was in compliance with all covenants. The more significant financial covenants are described in detail in the Capital Resources and Liquidity section beginning on page 25. Prior to entering into this Bank Credit Facility, the Fund had a $150.0 million extendible revolving 364-day term facility (the "$150.0 million Facility"). All amounts outstanding on the Fund's previous $150.0 million Facility were repaid prior to the conversion from an income trust to a corporation.

Acquisitions

In 2009, Mullen Group completed three small acquisitions being the acquisition of assets and business from Coledan Carriers Ltd. ("Coledan"), the acquisition of certain assets and business from Blackwater Oil & Gas Co. Ltd. and Blackwater Construction Co. Ltd. (collectively, "Blackwater"), and the acquisition of shares of Durango Oilfield Services Ltd. ("Durango").

On January 31, 2008, the Fund acquired a 50.0 percent interest in Durango, an oilfield fluid transportation company operating in the Hudson's Hope, British Columbia area. On August 6, 2009, Mullen Group acquired the remaining 50.0 percent interest of Durango for consideration of $3.7 million. Mullen Group has included in its 2009 net income $0.1 million of earnings from this equity investment for the period up to August 6, 2009 (2008 - $0.2 million). The results of operations since August 6, 2009 have been included in the Oilfield Services segment under Cascade Energy Services L.P. ("Cascade Energy").

On August 18, 2009, Mullen Group acquired certain assets and business from Blackwater, an oilfield transportation company operating in the Tumbler Ridge, British Columbia area. The results of operations have been included in the Oilfield Services segment under Cascade Energy.

On October 31, 2009, Mullen Group acquired certain assets and business from Coledan, a dry bulk transportation services company operating in Entwistle, Alberta. The results of operations have been included in the Trucking/Logistics segment under Cascade Carriers L.P.

In 2008, the Fund completed three acquisitions with the two most significant acquisitions being Essential Energy Services Trust's transport division ("Essential") and the shares of R.E. Line Trucking (Coleville) Ltd. and David Tuff's Holdings Ltd. (collectively "R.E. Line").

On April 30, 2008, the Fund acquired all the outstanding shares of R.E. Line for cash consideration of $12.8 million. R.E. Line is an oilfield transportation company focused on the hauling of crude oil and produced water in the Coleville, Saskatchewan area. Pursuant to the provisions of the R.E. Line Share Purchase and Sale Agreement, the vendor may receive additional cash consideration of up to $2.0 million for exceeding certain financial targets over a two year period from the closing date. For each twelve month period following the closing date, the vendor is entitled to receive additional cash consideration of up to $1.0 million for achieving certain financial targets. The first year's financial target was achieved and Mullen Group paid $1.0 million of additional cash consideration. R.E. Line is operated as a separate business unit in the Oilfield Services segment.

On July 2, 2008, the Fund acquired the assets and business of Essential which included its fluid hauling and oilfield transport business units, namely Cascade Services, JaCar Energy Services, Circle D Transport and Rentals, Leachman Oilfield Trucking, Prime Oilfield Hauling and Polege Oilfield Hauling for total consideration of $138.1 million. These business units operated through a network of facilities strategically located in areas known for drilling activity and ranged from northeastern British Columbia and northern Alberta into central/southern Alberta and Saskatchewan. The fluid hauling business units acquired, namely Cascade Services and JaCar Energy Services, now operate as separate divisions of the newly formed limited partnership, Cascade Energy. One of the oilfield transport business units acquired, namely Circle D Transport and Rentals, operates as a separate division of Mullen Oilfield Services L.P., Leachman Oilfield Trucking is operated as a separate division of Withers L.P. and the business of Polege Oilfield Hauling operates as part of Withers L.P. The business of Prime Oilfield Hauling was operated as a division of Withers L.P. until September 2009, at which time its assets were reallocated to Withers L.P. The results of operations of all these acquired business units are included in the Oilfield Services segment

These acquisitions have been accounted for by the purchase method and results of operations have been included in the 2009 Annual Financial Report from the date of acquisition. Total consideration for acquisitions during 2009 amounted to $7.0 million, which includes the $1.0 million of additional R.E. Line consideration, compared to $151.8 million in 2008.

2009 ANNUAL FINANCIAL REVIEW

SELECTED ANNUAL INFORMATION

Years ended December 31 *($ millions, except share and per share amounts)*		2009		2008		2007
Financial Results						
Revenue	$	**978.0**	$	1,314.2	$	1,119.5
Operating income (1)		**191.6**		273.3		209.1
Unrealized (gain) loss on foreign exchange		**(40.0)**		49.3		(26.6)
Impairment of goodwill and intangible assets		**—**		—		275.0
Net income (loss)		**90.8**		113.0		(118.7)
Funds from operations (1)		**121.0**		246.2		193.8
Cash flow from operating activities		**212.2**		203.8		212.4
Cash distributions declared		**18.1**		144.8		146.8
Cash dividends declared		**20.2**		—		—
Financial Position						
Long-term debt (including current portion)		**528.8**		521.4		402.4
Debt-to-equity ratio		**0.45:1**		0.47:1		0.36:1
Total assets		**1,926.9**		1,882.1		1,770.5
Share Information						
Funds from operations per share (1)	$	**1.50**	$	3.06	$	2.38
Cash flow from operating activities per share	$	**2.63**	$	2.53	$	2.60
Cash distributions declared per unit	$	**0.225**	$	1.80	$	1.80
Cash dividends declared per share	$	**0.25**	$	—	$	—
Earnings (loss) per share – basic	$	**1.13**	$	1.40	$	(1.45)
Earnings (loss) per share – diluted	$	**1.10**	$	1.40	$	(1.45)
Share price – December 31	$	**16.35**	$	12.76	$	17.60
Other Information						
Net property, plant and equipment additions		**12.1**		58.3		80.2
Acquisitions		**5.3**		147.9		11.9
Net income – adjusted(2)		**50.1**		116.9		79.2
Earnings per share – adjusted(2)	$	**0.62**	$	1.45	$	0.97

(1) Refer to the Glossary of Terms and Reconciliation of Non-GAAP terms section on page 57
(2) Net income and basic earnings per share have been adjusted to reflect earnings as though Mullen Group had been a corporation since January 1, 2007, as well as before the impact of unrealized gains and losses on foreign exchange and the impairment of goodwill and intangible assets.

CONSOLIDATED

Revenue

Revenue is generated by the Corporation through its 25 operating businesses. These businesses are divided into two segments for reporting purposes, namely Oilfield Services and Trucking/Logistics. The Corporation's operating businesses utilize a combination of company assets which are either owned by the Corporation or leased under long-term operating leases ("Company Equipment"), owner-operators who provide trucks and/or trailers and work exclusively for the Corporation under annual contracts and subcontractors who own their own equipment and are used during times of peak demand (collectively, "Contractors").

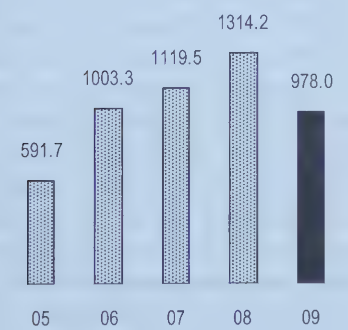
The challenges arising from the recent financial crisis had a material impact on the demand for our services in 2009 across virtually all of our business units. Revenue generated for the year ended December 31, 2009, was $978.0 million, a decrease of $336.2 million, or 25.6 percent, from the $1,314.2 million generated in 2008. This decrease was attributable to lower revenues generated by both the Oilfield Services segment and the Trucking/Logistics segment.

Consolidated Revenue - Years ended December 31

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Company	**557.9**	**57.0**	754.7	57.4	(196.8)
Contractors	**413.8**	**42.3**	552.6	42.1	(138.8)
Other	**6.3**	**0.7**	6.9	0.5	(0.6)
Total	**978.0**	**100.0**	1,314.2	100.0	(336.2)

** as a percentage of total revenue*

Consolidated Revenue - 5 years
($ millions)



In the Oilfield Services segment revenue decreased by $222.6 million as this segment experienced a significant drop in demand for most of its services due to lower commodity prices especially in relation to natural gas. In early 2009, the impact of the restricted credit markets also reduced the amount of capital deployed by customers within the Oilfield Services segments. Most notably, the segments business units dependent on conventional oil and natural gas drilling experienced a $153.5 million decline in revenue due to substantially lower drilling activity. Industry statistics indicate that overall oil and natural gas drilling activity in western Canada decreased by 50.9 percent from 17,043 wells during 2008 to 8,364 wells during 2009 (rig released basis). In addition, this segment saw a significant drop in demand for its core drilling services due to lower crude oil prices and the impact on customers of the restricted credit markets. This resulted in a $38.9 million year over year decrease in revenue. The Trucking/Logistics segment experienced a $113.1 million decrease in revenue by virtue of the slowdown in the economy and its impact on demand for freight services especially in western Canada. Revenue also decreased in this segment as fuel surcharge revenue declined due to the reduction in the average cost of diesel fuel on a year over year basis.

Direct Operating Expenses

Direct operating expenses include two main categories of expenses. The first category of direct operating expenses relates to the direct costs incurred to operate and maintain Company Equipment. The major direct operating expenses associated with operating Company Equipment are wages, fuel, repairs and maintenance, and operating supplies. The Other expenses included under direct operating expenses - Company mainly consists of operating leases, equipment rent, insurance, taxes and licensing costs. The second category of direct operating expenses are the costs incurred to hire Contractors, whether owner-operators or subcontractors.

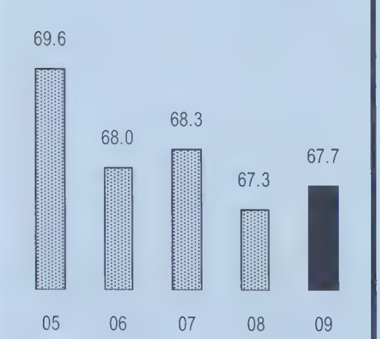
Direct operating expenses for the year ended December 31, 2009, decreased to $662.5 million, down $222.4 million, or 25.1 percent, from $884.9 million in 2008 as a direct result of the reduction in consolidated revenues during the year. Direct operating expenses related to Company Equipment decreased by $116.4 million to $355.4 million, or 63.7 percent of Company revenue, compared to $471.8 million or 62.5 percent of Company revenue in 2008. Contractors expense decreased by $106.0 million to $307.1 million, or 74.2 percent of Contractors revenue, as compared to $413.1 million or 74.8 percent of Contractors revenue in 2008. Direct operating expenses as a percent of revenue increased slightly to 67.7 percent in 2009 from 67.3 percent in 2008 due to lower margins on Company Equipment. Wages and benefits decreased by $41.2 million, however as a percentage of Company revenue, wages and benefits increased by 1.6 percent to 27.0 percent. Repairs and maintenance decreased by $20.8 million, however as a percentage of Company revenue, repairs and maintenance increased by 1.0 percent. Wages and benefits, repairs and maintenance, and operating supplies all increased as a percentage of revenue mainly due to the decrease in revenue resulting from lower fuel surcharges and pricing pressure. Lower margins on Company Equipment were slightly offset by improved margins on Contractors which was mainly attributable to the Oilfield Services segment where both fuel surcharge revenue and the corresponding fuel surcharge paid to owner operators decreased by similar amounts. In terms of gross margin, Mullen Group experienced a year over year decrease of $113.8 million on a consolidated basis and on a percentage of revenue the margin decreased to 32.3 percent of revenue as compared to 32.7 percent in 2008.

Consolidated Direct Operating Expenses - Years ended December 31

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**150.5**	**27.0**	191.7	25.4	(41.2)
Fuel	**40.9**	**7.3**	71.5	9.5	(30.6)
Repairs and maintenance	**80.0**	**14.3**	100.8	13.3	(20.8)
Operating supplies	**51.4**	**9.2**	62.6	8.3	(11.2)
Other	**32.6**	**5.9**	45.2	6.0	(12.6)
	355.4	**63.7**	471.8	62.5	(116.4)
Contractors	**307.1**	**74.2**	413.1	74.8	(106.0)
Total	**662.5**	**67.7**	884.9	67.3	(222.4)

** as a percentage of respective revenue*

Direct Operating Expenses - 5 years
(as a % of revenue)



Selling and Administrative Expenses

Selling and administrative ("S&A") expenses include salaries, employee profit share and other administrative expenses incurred to support the operations of Mullen Group.

S&A expenses for the year ended December 31, 2009 decreased by $32.1 million to $123.9 million from $156.0 million in 2008. This decrease was mainly attributable to the suspension of the profit share plan for 2009 which resulted in a $23.5 million year over year decrease in S&A expenses. S&A expense also decreased by approximately $18.7 million by virtue of process improvements and the continuing efforts to reduce and control costs. These decreases in S&A expenses were somewhat offset by approximately $8.1 million of new S&A expenses generated by R.E. Line and Essential, (collectively, the "New Businesses") and a $2.0 million increase in foreign exchange losses. S&A expenses as a percentage of revenue increased by 0.8 percent to 12.7 percent from 11.9 percent in 2008.

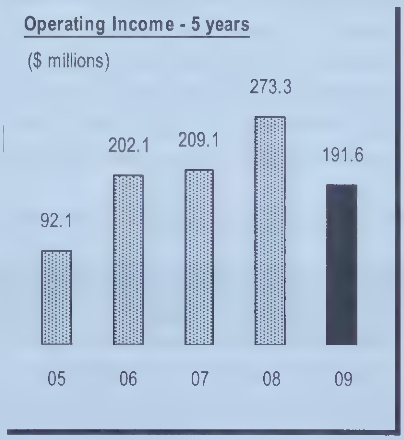
Consolidated Selling and Administrative Expenses - Years ended December 31

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Wages and benefits	**69.6**	**7.1**	71.9	5.5	(2.3)
Communications, utilities and general supplies	**34.6**	**3.6**	41.3	3.1	(6.7)
Profit share	**—**	**—**	23.5	1.8	(23.5)
Foreign exchange	**2.1**	**0.2**	0.1	—	2.0
Rent and other	**17.6**	**1.8**	19.2	1.5	(1.6)
Total	**123.9**	**12.7**	156.0	11.9	(32.1)

** as a percentage of total revenue*

Operating Income

Operating income[(1)] for the year ended December 31, 2009 decreased by $81.7 million to $191.6 million from $273.3 million in 2008. This decrease was mainly attributable to the year over year decrease in consolidated revenues. The Oilfield Services segment accounted for $56.9 million of this decrease by virtue of a year over year reduction in drilling activity due mainly to lower natural gas prices and the impact in early 2009 of the restricted credit markets on customers. More specifically, business related to core drilling services experienced a $13.8 million decrease in operating income[(1)]. In addition, those business units (other than the New Businesses) tied to conventional oil and natural gas drilling experienced a $35.3 million decrease in operating income[(1)] as a result of lower drilling activity. Offsetting these decreases in operating income[(1)] was $7.1 million of operating income[(1)] generated by the New Businesses. Operating income[(1)] in the Trucking/Logistics segment decreased by $21.6 million by virtue of the decrease in demand for their services resulting from the impact of the slowdown of the economy. Operating income[(1)] as a percentage of revenue decreased to 19.6 percent from 20.8 percent in 2008.



[(1)] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

Depreciation on Property, Plant and Equipment

Depreciation on property, plant and equipment for the year ended December 31, 2009 decreased slightly by $0.7 million to $61.6 million from $62.3 million in 2008. Depreciation in the Oilfield Services segment decreased by $0.9 million and was mainly due to lower depreciation being recorded on the core drilling rigs in 2009 due to reduced drilling days. Core drilling rigs are depreciated based on the number of operating days which decreased significantly from 1,847 in 2008 to 402 in 2009. Depreciation was also reduced in those business units dependent on oil and natural gas drilling activity in western Canada by virtue of lower capital expenditures being made during 2009 coupled with the declining balance method of depreciation used by Mullen Group. These decreases were somewhat offset by the twelve months of depreciation recorded in 2009 compared to a partial year of depreciation in 2008 on the property, plant and equipment acquired through the acquisition of the New Businesses. Depreciation in the Trucking/Logistics segment decreased by $0.1 million compared to 2008 due to lower capital expenditures in the segment. These decreases were offset by $0.3 million of higher depreciation in Corporate Head Office resulting from the acquisition of certain buildings.

Amortization on Intangible Assets

Intangible assets are acquired as part of acquisitions and are mainly comprised of non-competition agreements and customer relationships' values which are amortized over their estimated life. For the year ended December 31, 2009, amortization on intangible assets increased by $1.8 million to $18.6 million from $16.8 million in 2008. This increase was primarily the result of additional amortization being recorded on the $23.2 million of intangible assets acquired with the New Businesses.

Interest and Accretion Expense

Total interest and accretion expense for the year ended December 31, 2009 increased by $8.1 million to $36.2 million from $28.1 million in 2008. This increase was mainly attributable to an additional $9.0 million of interest and accretion expense on the $125.0 million of Debentures issued on May 1, 2009. This increase was partially offset by $1.1 million of lower interest expense being recorded in 2009 on Mullen Group's $150.0 million Facility. In July 2008, Mullen Group commenced borrowing on the $150.0 million Facility in conjunction with the acquisition of the transport division of Essential which was repaid in April 2009. Mullen Group's debt-to-equity ratio at December 31, 2009 was 0.45:1 compared to 0.47:1 at December 31, 2008. This reduction in the debt-to-equity ratio was mainly due to a $60.3 million increase to Shareholders' equity whereas long-term debt (including the current portion) and Debentures only increased by $7.4 million on a year over year basis.

Unrealized Gain and Loss on Foreign Exchange

($ millions)		U.S. $ Debt	Exchange Rate		CDN. $ Equivalent
December 31, 2008 - beginning balance	$	235.0	1.22	$	286.7
December 31, 2009 - ending balance		235.0	1.05		246.7
Unrealized gain on foreign exchange in 2009				$	40.0

For the year ended December 31, 2009, Mullen Group recorded an unrealized gain on foreign exchange of $40.0 million. This was due to the impact of the change over the year in the value of the CDN. dollar relative to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt. In 2008, Mullen Group recorded an unrealized loss on foreign exchange of $49.3 million which was made up of a $54.1 million loss related to the Corporation's $235.0 million of U.S. dollar denominated debt, offset by a $4.8 million gain due to the change in the value of U.S. dollar cash reserves held during the year.

Unrealized Gain and Loss on Investments

Mullen Group periodically invests in certain private and public corporations which operate within its core business. As such, Mullen Group regularly reviews the financial performance and the underlying carrying value of its investments. For the year ended December 31, 2009, Mullen Group recorded an unrealized gain on investments of $1.4 million reflecting an increase in the carrying value of its investments. This unrealized gain on investments was an increase of $8.2 million compared to the $6.8 million loss recorded in 2008.

Gain and Loss on Sale of Property, Plant and Equipment

For the year ended December 31, 2009, Mullen Group recognized a loss on sale of property, plant and equipment of $5.1 million on total consolidated proceeds on sale of $16.2 million compared to a $1.0 million gain on sale of property, plant and equipment on total consolidated proceeds on sale of $21.7 million in 2008. Aggregate gains and losses on the sale of property, plant and equipment over the past five years amounted to a $3.3 million net loss, which reflects the reasonableness of Mullen Group's depreciation rates over time. In 2009, the Oilfield Services segment had proceeds on sale totaling $14.2 million which mainly consisted of selling under-utilized equipment. The majority of the $5.1 million loss on sale of property, plant and equipment recorded in 2009 occurred in those business units dependent on conventional oil and natural gas drilling. The loss resulted from the disposal of older under-utilized equipment that was in poor operating condition and would have required extensive repair and maintenance costs to continue to operate safely and efficiently. Corporate Head Office had proceeds on sale of $3.5 million consisting of the sale of redundant land and buildings. The Trucking/Logistics segment had proceeds on sale of $1.0 million which mainly consisted of the sale of older trucks and trailers.

Income Taxes

	Years ended December 31	
($ millions)	2009	2008
Income before income taxes and earnings from equity investments	$ **111.5**	$ 111.0
Income tax rate	**30%**	31%
Computed expected income tax expense	**33.5**	34.4
Add (less):		
Tax related to income allocated to unitholders	**(5.3)**	(39.4)
Reduction of future tax balances due to enacted income tax rate changes	**(1.2)**	—
Non-taxable portion of unrealized (gain) loss on foreign exchange	**(5.8)**	7.3
Other	**(0.4)**	1.2
Provision for income taxes	$ **20.8**	$ 4.3

For the year ended December 31, 2009, Mullen Group recorded a provision for income taxes of $20.8 million, an increase of $16.5 million compared to $4.3 million in 2008. The following factors contributed to the $16.5 million increase in the provision for income taxes:

- in 2008, the provision for income taxes was reduced by $39.4 million by virtue of the income allocated to unitholders compared to only $5.3 million in 2009 which resulted from the Fund converting from an open-ended income trust to a corporation on May 1, 2009; and

- a $40.0 million unrealized gain on foreign exchange in 2009 compared to a $49.3 million unrealized loss on foreign exchange in 2008 which resulted in a $13.1 million swing in the non-taxable portion of unrealized (gain) loss on foreign exchange.

Earnings from Equity Investments

For the year ended December 31, 2009, earnings from equity investments decreased by $6.2 million to $0.1 million from $6.3 million in 2008. This decrease was due to Mullen Group divesting and selling its interest in Pe Ben USA on October 31, 2008. The $6.3 million in earnings from equity investments generated in 2008 was mainly attributed to Pe Ben USA. In 2009, earnings from equity investments were generated by Durango up to August 6, 2009, at which time Mullen Group acquired all of the remaining shares of Durango. Since August 6, 2009, the results from operations of Durango are included in the consolidated financial statements within the Oilfield Services segment under Cascade Energy.

Net Income

(audited)		Years ended December 31			
($ millions, except per share amounts)		2009		2008	% Change
Net income	$	**90.8**	$	113.0	(19.6)
Weighted average number of shares outstanding		**80,605**		80,492	—
Earnings per share - basic	$	**1.13**	$	1.40	(19.3)

For the year ended December 31, 2009, net income was $90.8 million, a decrease of $22.2 million or 19.6 percent compared to the $113.0 million generated in 2008. The $22.2 million decrease in net income was mainly due to the $81.7 million decrease in operating income[1] coupled with a $16.5 million increase in the provision for income taxes all of which was offset by a $89.3 million increase in unrealized gain on foreign exchange. The $81.7 million decrease in operating income[1] was mainly attributable to the year over year decrease in consolidated revenues. The $16.5 million increase in the provision for income taxes was mainly attributable to converting from an open-ended income trust to a corporation in 2009. The $89.3 million increase in unrealized gain on foreign exchange was mainly due to the impact of the change over the year in the value of the CDN. dollar relative to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt.

Other factors contributing to the change in net income include:

- a $8.2 million increase in unrealized gain on investments;
- a $8.1 million increase in interest and accretion expense;
- a $1.8 million increase in amortization on intangible assets;
- a $6.2 million decrease in earnings from equity investments;
- a $6.1 million decrease in gain on sale of property, plant and equipment; and
- a $0.7 million decrease in depreciation on property, plant and equipment.

As a result, basic earnings per share declined to $1.13 from $1.40 in 2008. The weighted average number of shares outstanding increased slightly on a year over year basis to 80,605,000 in 2009 from 80,492,000 in 2008. This increase in the weighted average number of shares outstanding was due to 170,995 common shares issued by way of private placement in July 2008 in connection with the acquisition of assets from Essential. In 2009, diluted earnings per share was $1.10. Diluted earnings per share is calculated using the 'if converted' method whereby the after tax impact of interest and accretion expense recorded on the Debentures is added to net income and other comprehensive income divided by the diluted weighted average number of shares outstanding. The diluted weighted average number of shares outstanding includes the common shares which may be issued if all Debenture holders convert their principal amount, prorated from the date of issuance plus the common shares which may be issued from the exercise of stock options using the treasury method. The weighted average number of diluted shares outstanding for the year ended December 31, 2009 was 88,421,000 (2008 – 80,492,000).

The chart below illustrates the impact on net income and basic earnings per share as though Mullen Group had been a corporation since January 1, 2008 as well as before the unrealized gain on foreign exchange in 2009 and the unrealized loss on foreign exchange in 2008. Net income and basic earnings per share are adjusted to reflect earnings from a strictly operating perspective.

[1] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

(unaudited)	Years ended December 31	
($ millions, except per share amounts)	2009	2008
Income before income taxes and earnings from equity investments	$ 111.5	$ 111.0
Add (less):		
Unrealized (gain) loss on foreign exchange	(40.0)	49.3
Adjusted - Income before income taxes and earnings from equity investments	71.5	160.3
Income tax rate	30%	31%
Computed expected income tax expense	(21.5)	(49.7)
Earnings from equity investments	0.1	6.3
Net income - adjusted for impact of unrealized (gain) loss on foreign exchange and conversion to a corporation	50.1	116.9
Weighted average number of shares outstanding – basic	80,605	80,492
Earnings per share - adjusted for unrealized (gain) loss on foreign exchange and conversion to a corporation	$ 0.62	$ 1.45

2009 ANNUAL SEGMENTED RESULTS

Year ended December 31, 2009 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	612.6	372.1	(6.7)	978.0
Direct operating expenses	399.7	272.2	(9.4)	662.5
Selling and administrative expenses	73.4	38.3	12.2	123.9
Operating income [1]	139.5	61.6	(9.5)	191.6

Year ended December 31, 2008 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	835.2	485.2	(6.2)	1,314.2
Direct operating expenses	543.1	354.7	(12.9)	884.9
Selling and administrative expenses	95.7	47.3	13.0	156.0
Operating income [1]	196.4	83.2	(6.3)	273.3

[1] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

OILFIELD SERVICES SEGMENT

Mullen Group provides the energy sector in western and northern Canada with a wide range of services related to the drilling for oil and natural gas, infrastructure development and capital projects. Energy companies generate their income from the sale of the commodities they produce and as such their decision to deploy capital is primarily dependent on the cash flows generated by the combination of production levels and commodity prices.

Business Unit	Services Provided	Market Area
Brady Oilfield Services L.P.	Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids.	Southeastern Saskatchewan
Canadian Dewatering L.P.	Specialized services including the rental and sale of trailer or skid mounted diesel pumps, submersible centrifugal pumps, and diesel generators associated with the suction and discharge of fluids, dredging, barge rentals, and commercial diving services.	Western and Central Canada
Cascade Energy Services L.P.	Provides production services pertaining to fluid management to the oil and natural gas industry, as well as provides chemical solutions by maintaining facilities for mixing, storage and transportation of these chemicals.	Western Canada
E-Can Oilfield Services L.P.	Provides pumping, hauling and disposal of fluids associated with the processing and production of heavy oil.	Western Canada
FSJ L.A.N.D. Transport L.P.	Provides services to the oil and natural gas industry involving the dismantling, hauling, and rigging up of drilling rigs.	Fort St. John, British Columbia
Formula Powell L.P.	Provides a wide range of services including the warehousing and distribution of drilling mud; the transportation, storage and handling of oilfield fluids; the transporting and installation of matting services, and general oilfield hauling.	Western Canada
Heavy Crude Hauling L.P.	Provides pumping, hauling and disposal of fluids associated with the processing and production of heavy oil.	Western and Northern Canada
Mullen Oilfield Services L.P.	Provides services to the oil and natural gas industry involving the dismantling, hauling, and rigging up of drilling rigs.	Western Canada
OK Drilling Services L.P.	Provides upstream oil and natural gas services related to the setting of conductor pipe and the drilling and setting of surface casing.	Western Canada
Pe Ben Oilfield Services L.P.	Provides transportation and warehousing of drill pipe and casing for the oil and natural gas industry as well as general oilfield hauling.	Western Canada
Premay Equipment L.P.	Specializes in the transportation of oversize and overweight modules, vessels, equipment and machinery for clients in the engineering, procurement, construction, mining and oil and natural gas industries.	Western Canada

Business Unit	Services Provided	Market Area
Premay Pipeline Hauling L.P.	*Provides the mainline large diameter pipeline construction industry with contract services including the hauling, stockpiling and stringing of large diameter oil and natural gas transmission pipe, along with the transport of pipeline equipment.*	*Western Canada*
Pro North Oilfield Services	*Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids along with tank services and 400 BBL rentals.*	*Northern British Columbia*
R.E. Line Trucking (Coleville) Ltd.	*Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids.*	*Coleville, Saskatchewan*
Spearing Service L.P.	*Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids.*	*Southern Saskatchewan and North Dakota*
Swanberg Bros. Trucking L.P.	*Provides services to the oil and natural gas industry involving the dismantling, hauling, and rigging up of drilling rigs.*	*Western Canada*
TREO Drilling Services L.P.	*Provides core drilling services in the oilsands along with conventional oil and natural gas drilling and coal-bed methane drilling to depths up to 1,500 meters.*	*Western Canada*
Withers L.P.	*Provides transportation and warehousing of pipe casing for the oil and natural gas industry as well as general oilfield hauling.*	*Western Canada*

A more detailed description of each of these business units is set forth in Mullen Group's Annual Information Form dated February 24, 2010, which is available on SEDAR at www.sedar.com, Mullen Group's website at www.mullen-group.com or on request, free of charge, from Mullen Group's Investor Services group, ir@mullen-group.com.

Revenue

Revenue in the Oilfield Services segment is generated through its 18 business units by utilizing both Company Equipment and Contractors.

Revenue - Oilfield Services - Years ended December 31

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Company	**425.6**	**69.5**	586.4	70.2	(160.8)
Contractors	**182.8**	**29.8**	244.7	29.3	(61.9)
Other	**4.2**	**0.7**	4.1	0.5	0.1
Total	**612.6**	**100.0**	835.2	100.0	(222.6)

** as a percentage of total revenue*

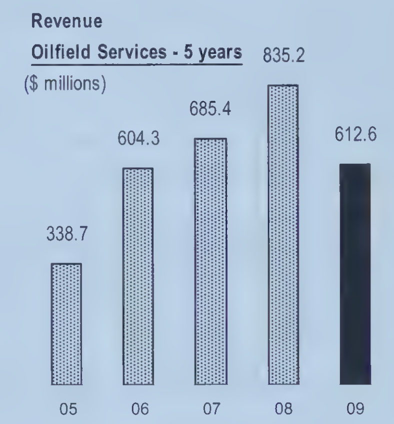
Revenue generated for the year was $612.6 million, a decrease of $222.6 million, or 26.6 percent, from the $835.2 million generated in 2008. The financial crisis that occurred in 2009 negatively impacted commodity prices and economic activity, including oil and natural gas drilling activity and this had a significant impact on the revenue in our Oilfield Services segment. The segment's decrease in revenue occurred in four main areas:

- Business units dependent on oil and natural gas drilling activity in western Canada experienced a decrease in revenue of approximately $153.5 million or 43.3 percent from 2008. This decrease was directly attributed to the 50.9 percent reduction in overall drilling activity in western Canada which impacted both our activity levels and pricing. Our exposure to the Horn River area and the Montney and Bakken resource pools mitigated to some extent the decline in the overall industry wide activity.

- Business units leveraged to the transportation of fluids and the servicing of wells experienced a decrease in revenue of $50.0 million compared to 2008 by virtue of both a reduction in fuel surcharge revenue, and the impact of a reduction in drilling activity, especially in southern Saskatchewan which is dependent on strong crude oil pricing.

- Revenue associated with core drilling services decreased by $38.9 million on a year over year basis due to declining crude oil prices and tighter credit markets which brought oil sands exploratory drilling to a virtual standstill.

- Revenue generated by business units tied to infrastructure development decreased on a year over year basis by $22.2 million as a result of weaker demand for these services.



These decreases in revenue were somewhat offset by the addition of the New Businesses which added approximately $38.5 million of new revenue. Company revenue decreased by $160.8 million compared to a $61.9 million decrease in revenue from Contractors. The more predominant decrease in Company revenue was mainly due to lower year over year revenue generated by core drilling services which is all generated by Company Equipment. This segment was responsible for 62.2 percent of pre-consolidated revenue for the year ended December 31, 2009 compared to 63.3 percent in 2008.

Direct Operating Expenses

Direct operating expenses for the year ended December 31, 2009 decreased to $399.7 million, down $143.4 million, or 26.4 percent, from $543.1 million in 2008. The $143.4 million decrease was directly related to the $222.6 million reduction in segment revenues during the year. Direct operating expenses related to Company Equipment decreased by $90.3 million to $267.6 million, or 62.9 percent of Company revenue, compared to $357.9 million or 61.0 percent of Company revenue in 2008. Contractors expense decreased by $53.1 million to $132.1 million, or 72.3 percent of Contractors revenue, as compared to $185.2 million or 75.7 percent of Contractors revenue in 2008. Direct operating expenses represented as a percent of revenue increased slightly to 65.2 percent in 2009 from 65.0 percent in 2008 due to the lower margins generated on Company revenue. Wages and benefits and repairs and maintenance expense decreased by $53.3 million, however, as a percentage of Company revenue they increased by 2.6 percent by virtue of lower fuel surcharge revenues and a highly competitive marketplace resulting in rate reductions that could not entirely be offset by cost controls. Lower margins on Company revenue were slightly offset by improved margins generated from Contractors revenue in the current year. These improved margins were mainly due to a decrease in fuel surcharge revenue and the flow through of this revenue to owner operators. In terms of gross margin, this segment experienced a decrease of $79.2 million, and on a percentage of revenue basis the margin decreased slightly to 34.8 percent of segment revenue as compared to 35.0 percent in 2008.

Direct Operating Expenses - Oilfield Services - Years ended December 31

($ millions)	**2009**		2008		Change
	$	%*	$	%*	$
Company					
Wages and benefits	**121.3**	**28.5**	158.0	27.0	(36.7)
Fuel	**29.8**	**7.0**	52.3	8.9	(22.5)
Repairs and maintenance	**60.8**	**14.3**	77.4	13.2	(16.6)
Operating supplies	**37.8**	**8.9**	44.8	7.6	(7.0)
Other	**17.9**	**4.2**	25.4	4.3	(7.5)
	267.6	**62.9**	357.9	61.0	(90.3)
Contractors	**132.1**	**72.3**	185.2	75.7	(53.1)
Total	**399.7**	**65.2**	543.1	65.0	(143.4)

** as a percentage of respective revenue*

Selling and Administrative Expenses

S&A expenses for the year ended December 31, 2009 decreased to $73.4 million, down $22.3 million, or 23.3 percent, from $95.7 million in 2008. This decrease in S&A expenses was mainly attributable to two factors:

Selling and Administrative Expenses - Oilfield Services - Years ended December 31					
($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Wages and benefits	**40.8**	**6.6**	42.3	5.1	(1.5)
Communications, utilities and general supplies	**21.8**	**3.6**	25.7	3.1	(3.9)
Profit share	**—**	**—**	15.6	1.9	(15.6)
Rent and other	**10.8**	**1.8**	12.1	1.4	(1.3)
Total	**73.4**	**12.0**	95.7	11.5	(22.3)

** as a percentage of total revenue*

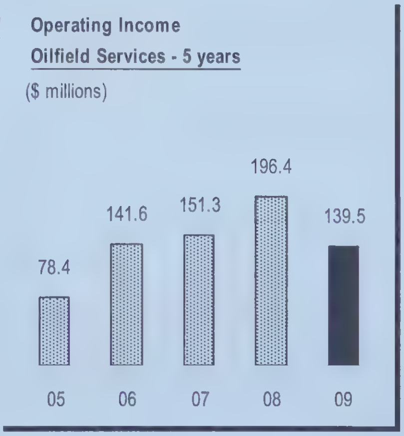
- the suspension of the profit share plan for 2009 which resulted in a $15.6 million decrease in S&A expenses; and
- the continuing efforts of the business units in the segment to reduce and control costs resulted in approximately $14.8 million of savings.

These decreases in S&A expenses were offset by an additional $8.1 million of S&A expenses incurred by the New Businesses by virtue of recognizing twelve months of operating activity in 2009 compared to approximately six months in 2008. S&A expenses as a percentage of revenue increased slightly by 0.5 percent to 12.0 percent from 11.5 percent in 2008 as a result of the year over year decrease in segment revenue.

Operating Income

For the year ended December 31, 2009, operating income[(1)] decreased by $56.9 million, or 29.0 percent, to $139.5 million from $196.4 million in 2008. This decrease was mainly attributable to four factors, namely:

- $35.3 million decline in those business units dependent on oil and natural gas drilling activity in western Canada;
- $13.8 million decline in relation to core drilling services;
- $12.3 million decline in those business units leveraged to the transportation of fluids and the servicing of wells by virtue of a reduction in drilling, increased competition and pricing pressures; and
- $2.6 million decline in those business units tied to infrastructure development.



These decreases were somewhat offset by an increase in operating income[(1)] of $7.1 million from the New Businesses. Despite a 26.6 percent decrease in Oilfield Services segment revenue and continued pricing pressure, operating income[(1)] as a percentage of revenue only decreased slightly to 22.8 percent from 23.5 percent in 2008.

[(1)] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

Capital Expenditures

For the year ended December 31, 2009, the Oilfield Services segment had gross capital expenditures of $21.7 million and dispositions of $14.2 million for net capital additions of $7.5 million in 2009. Gross capital expenditures mainly consisted of additional equipment for those business units providing services to the oilsands projects near Fort McMurray, Alberta. As well, some trucks and trailers were added in certain business units tied to the transportation of fluids. The majority of the dispositions came from those business units tied directly to oil and natural gas drilling activity as Mullen Group disposed of equipment that was in poor operating condition and under-utilized equipment due to the decline in drilling activity. In 2008, gross capital expenditures were $44.5 million and dispositions were $11.8 million for net capital expenditures of $32.7 million. The year over year decline in net capital expenditures of $25.2 million is a direct result of the decrease in demand for most services within this segment.

TRUCKING/LOGISTICS SEGMENT

The transportation and distribution of freight is a multi-billion dollar business in Canada and is generally described as both highly competitive and fragmented. The Trucking/Logistics segment provides a wide range of trucking and logistics services in Canada, as well as to and from the continental U.S. and Mexico.

Business Unit	***Services Provided***	***Market Area***
Mullen Trucking L.P.	*Irregular route truckload and less-than-truckload ("LTL") flatbed, van and specialized hauling services.*	*Canada and U.S.*
Cascade Carriers L.P.	*Dry bulk freight hauling and pressurized gas transport using specialized trailers.*	*Western Canada*
Grimshaw Trucking L.P.	*Regional, scheduled LTL service, flatbed and van services.*	*Western Canada and the Northwest Territories*
Mill Creek Motor Freight L.P.	*Irregular route truckload and LTL van and flatbed services.*	*Canada, U.S. and Mexico*
Tenold Transportation Limited Partnership	*Irregular route truckload and LTL van service, warehousing and custom cable cutting and reel services.*	*Canada and U.S.*
Kleysen Group L.P.	*Irregular route truckload and LTL flatbed and van service, dry bulk hauling, intermodal, transload and storage services.*	*Canada and U.S.*
Payne Transportation L.P.	*Irregular route truckload and LTL flatbed and van service.*	*Canada and U.S.*

A more detailed description of each of these business units is set forth in Mullen Group's Annual Information Form dated February 24, 2010, which is available on SEDAR at www.sedar.com, Mullen Group's website at www.mullen-group.com or on request, free of charge, from Mullen Group's Investor Services group, ir@mullen-group.com.

Revenue

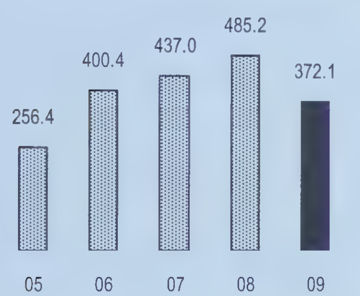
Revenue in the Trucking/Logistics segment is generated through its seven business units by utilizing both Company Equipment and Contractors.

The financial crisis that occurred in 2009 negatively impacted economic activity and this had a significant impact on the revenue in our Trucking/Logistics segment. Revenue generated for the year was $372.1 million, a decrease of $113.1 million, or 23.3 percent, from $485.2 million in 2008. The year over year reduction in the demand for freight services associated with the transportation of construction and mining equipment for projects in the Alberta oilsands and for bulk transportation services in western Canada were the main contributors to this decrease in revenue. In addition, revenue in this segment decreased significantly as fuel surcharge revenue declined due to the reduction in the price of diesel fuel. Also contributing to the $113.1 million decrease in revenue were the following:

Revenue - Trucking/Logistics - Years ended December 31 *($ millions)*	**2009**		2008		Change
	$	**%***	$	%*	$
Company	**132.3**	**35.6**	168.5	34.7	(36.2)
Contractors	**238.7**	**64.1**	315.7	65.1	(77.0)
Other	**1.1**	**0.3**	1.0	0.2	0.1
Total	**372.1**	**100.0**	485.2	100.0	(113.1)

** as a percentage of total revenue*

Revenue
Trucking/Logistics - 5 years
($ millions)



- a weaker demand for LTL services especially in Alberta;
- a weaker demand for cross border freight volumes; and
- the cessation of business operations of Pe Ben Bulk.

This segment was responsible for 37.8 percent of pre-consolidated revenue for the year ended December 31, 2009 compared to 36.7 percent in 2008.

Direct Operating Expenses

Direct operating expenses for the year ended December 31, 2009 decreased to $272.2 million, down $82.5 million, or 23.3 percent, from $354.7 million in 2008. This $82.5 million decrease was directly related to the $113.1 million reduction in segment revenues during the year. Direct operating expenses related to Company Equipment decreased by $29.3 million to $89.6 million or 67.7 percent of Company revenue, compared to $118.9 million or 70.6 percent of Company revenue in 2008. Contractors expense decreased by $53.2 million to $182.6 million, or 76.5 percent of Contractors revenue, as compared to $235.8 million or 74.7 percent of Contractors revenue in 2008. Direct operating expenses as a percent of revenue remained consistent at 73.1 percent in 2009 compared to 2008. However, lower margins were generated on Contractors which was offset by higher margins generated on Company Equipment. The lower margins generated on Contractors were mainly a result of a higher overall percentage of lower margin business. The higher margins generated on Company revenue resulted from a reduction in fuel costs due to the decline in the price of diesel fuel. In terms of gross margin, this segment

Direct Operating Expenses - Trucking/Logistics - Years ended December 31 *($ millions)*	**2009**		2008		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**29.2**	**22.1**	33.7	20.0	(4.5)
Fuel	**11.1**	**8.4**	19.2	11.4	(8.1)
Repairs and maintenance	**19.2**	**14.5**	23.4	13.9	(4.2)
Operating supplies	**13.6**	**10.3**	17.8	10.6	(4.2)
Other	**16.5**	**12.4**	24.8	14.7	(8.3)
	89.6	**67.7**	118.9	70.6	(29.3)
Contractors	**182.6**	**76.5**	235.8	74.7	(53.2)
Total	**272.2**	**73.1**	354.7	73.1	(82.5)

** as a percentage of respective revenue*

experienced a year over year decrease of $30.6 million, however, on a percentage of revenue basis the margin remained consistent at 26.9 percent.

Selling and Administrative Expenses

S&A expenses for the year ended December 31, 2009 decreased by $9.0 million to $38.3 million from $47.3 million in 2008. This $9.0 million decrease was mainly due to the suspension of the profit share plan for 2009 which resulted in an $11.7 million year over year decrease in S&A expenses. In addition, S&A expense decreased by approximately $2.4 million by virtue of process improvements and the continuing efforts to reduce and control costs. These savings were offset by a $5.1 million swing in foreign exchange from a $3.1 million gain in 2008 to a $2.0 million loss in 2009 mainly due to the value of the U.S. dollar accounts receivable declining in relation to its CDN. dollar equivalent due to the strengthening in the value of the CDN. dollar. S&A expenses as a percentage of revenue increased by 0.6 percent to 10.3 percent from 9.7 percent in 2008.

Selling and Administrative Expenses - Trucking/Logistics - Years ended December 31

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Wages and benefits	**24.6**	**6.6**	24.8	5.1	(0.2)
Communications, utilities and general supplies	**9.7**	**2.7**	11.6	2.4	(1.9)
Profit share	**—**	**—**	11.7	2.4	(11.7)
Foreign exchange	**2.0**	**0.5**	(3.1)	(0.7)	5.1
Rent and other	**2.0**	**0.5**	2.3	0.5	(0.3)
Total	**38.3**	**10.3**	47.3	9.7	(9.0)

** as a percentage of total revenue*

Operating Income

Operating income[(1)] for the year ended December 31, 2009 decreased by $21.6 million, or 26.0 percent, to $61.6 million from $83.2 million in 2008. This decrease was mainly attributable to the decrease in operating income[(1)] related to bulk transportation services. To a lesser extent, operating income[(1)] was also negatively impacted by a decline in the demand for freight services due to the slowdown in the economy, especially in western Canada. Operating income[(1)] as a percentage of revenue, decreased to 16.6 percent from 17.2 percent in 2008.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.

Capital Expenditures

For the year ended December 31, 2009, the Trucking/Logistics segment had gross capital expenditures of $6.5 million and dispositions of $1.0 million for net capital expenditures of $5.5 million in 2009. Gross capital expenditures and dispositions consisted of the replacement of older trucks and trailers. In 2008, gross capital expenditures were $13.3 million and dispositions were $4.3 million for net capital expenditures of $9.0 million. The year over year decline in net capital expenditures of $3.5 million is a direct result of the slowdown in the economy and its impact on demand for services within this segment.

CORPORATE

The Corporate Head Office provides support to the Corporation's business units including payroll services, information technology support and accounting services. In addition, the Corporate Head Office is responsible for all regulatory and public reporting expenses.

For the year ended December 31, 2009, the Corporate Head Office generated miscellaneous revenue of $0.9 million and incurred net administrative expenses of $10.4 million, which resulted in a net operating loss of $9.5 million. In 2008, Corporate Head Office generated miscellaneous revenue of $2.2 million and incurred net administrative expenses of $8.5 million, which resulted in a net operating loss of $6.3 million. The $3.2 million increase in net operating loss was mainly due to a reduction of $7.0 million in the fees charged by Corporate Head Office to the operating business units in 2009 as compared to 2008. This reduction in Corporate Head Office fees was somewhat offset by a $2.9 million reduction in foreign exchange losses.

Other factors impacting the net operating losses incurred by Corporate Head Office included:

- a $1.3 million decrease in revenue generated from Mullen Group's surplus cash;
- a $1.8 million decrease in stock-based compensation expense;
- a $0.7 million decrease in capital taxes;
- a $0.6 million decrease in salaries and wages;
- a $0.8 million of conversion costs; and
- a $0.7 million increase in land and building rents assumed by Corporate Head Office.

CAPITAL RESOURCES AND LIQUIDITY

Sources and Uses of Cash

($ millions)	Years ended December 31 2009	2008
Cash, beginning of year	$ 0.3	$ 79.2
Sources of cash:		
Funds from operations[1]	121.0	246.2
Proceeds of debentures	125.0	—
Proceeds of long-term debt	—	85.7
Proceeds from share issuances	—	1.4
Changes in non-cash working capital items	91.2	—
Proceeds from sale of equity investment	—	0.5
Cash distribution from equity investment	—	4.8
Other assets	—	0.4
Total sources	337.2	339.0
Uses of cash:		
Changes in non-cash working capital items	—	42.4
Cash distributions paid to unitholders	30.2	144.8
Cash dividends paid to shareholders	10.1	—
Acquisitions	5.3	147.9
Net property, plant and equipment additions	12.1	58.3
Repayment of long-term debt	70.3	23.3
Debt issuance costs	3.0	—
Other assets	1.6	—
Purchase of equity investment	—	1.2
Total usage	132.6	417.9
Increase (decrease) in cash	204.6	(78.9)
Cash, end of year	$ 204.9	$ 0.3

[1] *Funds from operations is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

In 2009, funds from operations[1] were $121.0 million, a decrease of $125.2 million, or 50.8 percent, from $246.2 million in 2008. This decrease was mainly due to the $81.7 million reduction in operating income[1] in 2009 compared to 2008. The reduction in operating income[1] was mainly attributable to the year over year decrease in consolidated revenues. Funds from operations[1] also decreased due to an additional $34.7 million in the provision for current income taxes which was mainly due to the Fund's internal reorganization in anticipation of converting from an open-ended income trust to a corporation on May 1, 2009. To a lesser extent, funds from operations[1] also decreased due to the additional $8.1 million of interest and accretion expense resulting mainly from the issuance of the Debentures. On a per share basis, funds from operations[1] were $1.50 per share in 2009, a decrease of $1.56 from the $3.06 generated in 2008.

In 2009, cash flow from operating activities was $212.2 million, an increase of $8.4 million, or 4.1 percent, from $203.8 million in 2008. This increase was due to a significant $133.6 million year over year increase in changes in non-cash working capital items offset by a $125.2 million decrease in funds from operations[1] as discussed above. The $133.6 million change in non-cash working capital items was mainly due to:

- a year over year variance of $154.1 million in accounts receivable. In 2009, accounts receivable decreased by $94.2 million compared to an increase during 2008 of $59.8 million. This significant change was mainly due to the decline in drilling activity in 2009 and the resulting decrease in accounts receivable generated by Mullen Group.

- a $31.3 million variance in future income tax recovery mainly resulting from the reclass of future income tax to current income tax payable.

Offsetting these items was a year over year decrease of $50.1 million in accounts payable and accrued liabilities which mainly resulted from the reduction in revenue due to the decline in drilling activity in 2009 compared to 2008, as well as the suspension of the profit share plan in 2009.

In 2009, $121.0 million of funds from operations[1] were supplemented by $122.0 million of net proceeds received from issuing the Debentures, as well as $91.2 million in changes in non-cash working capital items. Cash was used to repay long-term debt of $70.3 million, pay cash distributions and dividends totaling $40.3 million, acquire net property, plant and equipment in the amount of $12.1 million and fund acquisitions of $5.3 million.

At December 31, 2009, Mullen Group had $275.3 million of working capital which included $204.9 million of cash and cash equivalents. Mullen Group also had access to additional funding of $75.0 million of cash from its Bank Credit Facility. This working capital, the Bank Credit Facility and cash flow from operating activities in 2010 are available to finance Mullen Group's ongoing working capital requirements, dividends declared by the Board, its 2010 net capital expenditure budget, as well as fund various special projects and acquisition opportunities.

On September 11, 2009, Mullen Group's Board established a dividend policy whereby the Corporation, subject to Board approval, intends to pay dividends to its common shareholders on a quarterly basis. During 2009, Mullen Group declared $20.2 million of dividends comprised of quarterly dividends of $0.125 per Common Share for each of the third and fourth quarters. At December 31, 2009, Mullen Group had 80,605,000 Common Shares outstanding.

On January 13, 2010, Mullen Group's Board approved a $40.0 million net capital expenditure budget for 2010 which will be allocated to those business units that need new capital to grow or sustaining capital to meet their ongoing customer needs. The capital required for acquisitions, land purchases and other special projects is not included in this $40.0 million and will be authorized as the need arises. The 2010 net capital expenditures budget compares to net capital expenditures of $12.1 million in 2009 and $58.3 million in 2008. The reduction in net capital expenditures in 2009 resulted from the economic uncertainty during the year, a decrease in demand for most of its business units services, as well as the significant $80.2 million and $85.3 million of net capital additions that occurred in 2007 and 2006, respectively. Generally, over the course of a normal economic cycle, Mullen Group's maintenance capital expenditure is equal to annual depreciation on property, plant and equipment which was $61.6 million and $62.3 million in 2009 and 2008, respectively. Mullen Group's diverse business model, and its wide geographic range of operations, provides the Corporation with the ability to redeploy certain assets over different regions for greater utilization and to meet customer demand. It also provides the Corporation with considerable flexibility in the amount of maintenance capital expenditure requirements in any given fiscal period.

In 2009, the Fund converted from an open-ended income trust to Mullen Group, a tax paying corporation under Canadian tax law. Mullen Group will be required to pay tax going forward into 2010. At December 31, 2009, Mullen Group had current income tax payable of approximately $36.0 million to be paid in 2010 which excludes the amount of any additional tax installments required for future tax years. This compares to paying only $2.1 million of income taxes in 2009.

[1] *Funds from operations and operating income are non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

From a longer term perspective, Mullen Group had net debt outstanding of $251.7 million, which consists of debt of $527.0 million less working capital of $275.3 million. The following chart summarizes Mullen Group's total debt as at December 31, 2009 and 2008:

(millions)		December 31, 2009		December 31, 2009		December 31, 2008		December 31, 2008
		U.S. Dollar		**CDN. Dollar Equivalent**		**U.S. Dollar**		**CDN. Dollar Equivalent**
Private Placement Debt:								
Series A – matures June 30, 2016	$	**100.0**	**$**	**105.0**	$	100.0	$	122.0
Series B – matures June 30, 2018		**50.0**		**52.5**		50.0		61.0
Series C – matures June 30, 2016		**—**		**70.0**		—		70.0
Series D – matures June 30, 2018		**—**		**70.0**		—		70.0
Series E – matures September 27, 2017		**85.0**		**89.2**		85.0		103.7
Series F – matures September 27, 2017		**—**		**20.0**		—		20.0
Bank Credit Facility		**—**		**—**		—		—
$150.0 million Facility		**—**		**—**		—		64.2
Various financing loans		**—**		**8.1**		—		12.4
Less:								
Unamortized debt issuance costs		**—**		**(2.2)**		—		(1.9)
Long-term debt (including the current portion)		**235.0**		**412.6**		235.0		521.4
Convertible debentures – debt component		**—**		**116.2**		—		—
Total debt	$	**235.0**	**$**	**528.8**	$	235.0	$	521.4

Mullen Group has certain financial covenants under its Private Placement Debt as well as its Bank Credit Facility. Mullen Group is not in violation with any of such covenants. The main financial covenants are summarized as follows:

Financial Covenants	Financial Covenant Threshold	December 31, 2009	December 31, 2008
Private Placement Debt Covenants			
(a) Total debt to operating cash flow	3.50:1.0	2.14:1.0	1.90:1.0
(b) Total earnings available for fixed charges to total fixed charges	1.75:1.0	4.68:1.0	6.40:1.0
Bank Credit Facility Covenants			
(a) Total debt to operating income[(1)]	3.00:1.0	2.16:1.0	1.88:1.0
(b) Minimum fixed charge coverage ratio	1.75:1.0	2.39:1.0	5.58:1.0

Private Placement Debt Financial Covenants

- Total debt to operating cash flow – Mullen Group's total long-term debt (including the current portion of long-term debt but excluding the Debentures) cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results. Operating cash flow consists of operating income[(1)] plus stock-based compensation.
- Total earnings available for fixed charge to total fixed charges – Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1.0 calculated using the trailing twelve months financial results.

Bank Credit Facility Financial Covenants

- Total debt to operating income[1] – Mullen Group's total long-term debt (including the current portion of long-term debt but excluding the Debentures) cannot exceed 3.0 times operating income[1] using the trailing twelve months financial results.
- Minimum fixed charge coverage ratio – Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1.0 calculated using the trailing twelve months financial results.

At December 31, 2009, Mullen Group had long-term debt of $528.8 million which included $410.8 million of long-term debt, $116.2 million of the debt component of the Debentures, and $1.8 million in current portion of long-term debt. In calculating total debt to operating cash flow for the Private Placement Debt covenants and total debt to operating income[1] for the Bank Credit Facility covenants, the $116.2 million debt component of the Debentures is excluded since the Debentures are subordinated to such debt. Therefore, at December 31, 2009, after adjusting for letters of credit, total debt for purposes of calculating these covenants was approximately $414.3 million.

Assuming the $414.3 million of debt remained constant, Mullen Group needs to generate approximately $118.4 million of operating cash flow on a trailing twelve month basis to remain onside the total debt to operating cash flow covenant under the Private Placement Debt. In terms of the total debt to operating income[1] covenant under the Bank Credit Facility, Mullen Group needs to generate approximately $138.1 million of operating income[1] on a trailing twelve month basis to remain onside the Bank Credit Facility covenant.

The 2.39:1.0 minimum fixed charge coverage ratio under the Bank Credit Facility covenant is less than the 4.68:1.0 total earnings available for fixed charges to total fixed charges under the Private Placement Debt covenant mainly due to the treatment of current income tax expense. The Bank Credit Facility covenant includes the $36.5 million of current income tax expense recorded in 2009 in the denominator of the calculation. Under the Private Placement Debt covenant, the $36.5 million of current income tax is excluded from the denominator, thus resulting in a higher ratio.

[1] *Operating income is a non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

Capital Expenditures

For the twelve month period ended December 31, 2009, net property, plant and equipment expenditures totaled $12.1 million excluding any acquisitions. Gross capital expenditures were comprised of $21.7 million in the Oilfield Services segment, $6.5 million in the Trucking/Logistics segment, and $2.6 million in the Corporate Head Office. These expenditures were offset by gross dispositions of $14.2 million in the Oilfield Services segment, $1.0 million in the Trucking/Logistics segment and $3.5 million of disposals in the Corporate Head Office. For the same period in 2008, net property, plant and equipment expenditures totaled $58.3 million.

Contractual Obligations

($ millions)	Maximum Payments Total	1 Year	2 - 3 Years	4 - 5 years	5 years and thereafter
	$	$	$	$	$
Long-term debt	412.6	1.8	5.4	0.8	404.6
Debentures	116.2	—	—	—	116.2
Total long-term debt	528.8	1.8	5.4	0.8	520.8
Operating leases	29.2	11.7	10.6	4.2	2.7
Total Contractual Obligations	558.0	13.5	16.0	5.0	523.5

Mullen Group ended 2009 with long-term debt of $412.6 million, a decrease of $108.8 million, compared to the $521.4 million of long-term debt at the beginning of the year. Mullen Group repaid $70.3 million of long-term debt during 2009 of which $64.2 million was used to repay the outstanding balance owing on the $150.0 million Facility. Another $6.1 million of principal repayments were made on other long-term debt in 2009. In addition, long-term debt was reduced by $40.0 million due to the strengthening in the CDN. dollar compared to the U.S. dollar and its impact on Mullen Group's $235.0 million of U.S. dollar denominated long-term debt. Offsetting these decreases was $1.8 million of long-term debt assumed by virtue of the acquisition of Durango.

During 2009, Mullen Group added an aggregate principal amount of $125.0 million of Debentures and incurred $3.0 million of debt issuance costs for net proceeds of $122.0 million. The Debentures mature in July 2018. There was $7.2 million of value attributed to the equity component of the Debentures which was reclassified to Shareholder's equity. In 2009, there was a $1.4 million notional increase in the accounting value of the Debentures which represents the accretion on the Debentures and the amortization of debt issuance costs. At year end, Mullen Group's debt-to-equity ratio was 0.45:1 compared to a ratio of 0.47:1 at the end of 2008.

The operating lease commitments of $29.2 million consist mostly of land and building and equipment commitments made by Mullen Group's operating business units. This is $8.6 million less than the $37.8 million recognized in 2008. This reduction in operating lease commitments relates to the reduction in the amount outstanding on land and building and equipment leases. This reduction in operating leases was somewhat offset by the renewal of, and the addition of some new land and building leases entered into in 2009.

Shareholders' Capital

On May 1, 2009 the Fund converted to a corporation pursuant to the Arrangement, which resulted in Securityholders receiving one common share in exchange for each Trust Unit or MCLP B Unit held.

(a) Trust Units and MCLP B Units

Trust Units: Authorized: Unlimited Number	# of Trust Units		Amount
Balance at December 31, 2008	61,858,141	$	842,960
Units issued on exchange of MCLP B Units	7,448		136
Balance at April 30, 2009	61,865,589	$	843,096
Exchanged for common shares under the Arrangement	61,865,589		843,096
Balance at May 1, 2009	—	$	—

MCLP B Units*: Authorized: Unlimited Number	# of MCLP B Units		Amount
Balance at December 31, 2008	18,747,157	$	342,861
Exchanged for Trust Units	(7,448)		(136)
Balance at April 30, 2009	18,739,709	$	342,725
Exchanged for common shares under the Arrangement	18,739,709		342,725
Balance at May 1, 2009	—	$	—

**MCLP B Units are exchangeable for Trust Units on a one for one basis*

(b) Common Shares

Common Shares Authorized: Unlimited Number	# of Common Shares		Amount
Balance at April 30, 2009	—	$	—
Issued for Trust Units under the Arrangement	61,865,589		843,096
Issued for MCLP B Units under the Arrangement	18,739,709		342,725
Balance at December 31, 2009	80,605,298	$	1,185,821

SUMMARY OF QUARTERLY RESULTS

The first quarter of the year traditionally has the highest revenue and net income. This is primarily due to the seasonality of a significant portion of Mullen Group's operations, which relate to the movement of heavy equipment, drilling rigs and drilling supplies such as oilfield fluids, tubulars and drilling mud and the services provided such as conductor pipe-setting, core drilling and casing setting in northern and western Canada. The seasonality of Mullen Group's business follows the seasonal pattern of western Canada's oil and natural gas exploration which peaks in the winter months and declines during the spring. Wet weather and the spring thaw may make the ground unstable. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter.

Summary of Quarterly Results

(Unaudited)	2009			
($ millions except per share amounts)	**Q1**	**Q2**	**Q3**	**Q4**
	$	**$**	**$**	**$**
Revenue	**312.0**	**202.7**	**229.7**	**233.6**
Operating income(1)	**73.4**	**28.6**	**45.9**	**43.7**
Net income	**31.0**	**17.8**	**30.9**	**11.1**
Earnings per share				
Basic	**$0.38**	**$0.22**	**$0.39**	**$0.14**
Diluted	**$0.38**	**$0.22**	**$0.36**	**$0.14**
Funds from operations(1)	**31.1**	**19.9**	**36.5**	**33.5**
Funds from operations per share(1)	**$0.39**	**$0.24**	**$0.46**	**$0.41**
Cash flow from operating activities	**75.9**	**72.5**	**32.6**	**31.2**
Cash flow from operating activities per share	**$0.94**	**$0.90**	**$0.41**	**$0.38**

(Unaudited)	2008			
($ millions except per share amounts)	**Q1**	**Q2**	**Q3**	**Q4**
	$	$	$	$
Revenue	358.1	249.1	352.2	354.8
Operating income(1)	83.6	34.6	73.9	81.2
Net income	49.8	19.9	36.2	7.1
Earnings per share				
Basic	$0.62	$0.25	$0.45	$0.09
Diluted	$0.62	$0.25	$0.45	$0.09
Funds from operations(1)	77.9	28.9	67.4	72.0
Funds from operations per share(1)	$0.97	$0.36	$0.84	$0.89
Cash flow from operating activities	3.3	111.9	19.5	69.1
Cash flow from operating activities per share	$0.04	$1.39	$0.24	$0.86

(1) Operating income, funds from operations and funds from operations per share are non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.

In 2009, revenue and operating income(1) decreased by $336.2 million and $81.7 million, respectively, compared to 2008. The majority of the decrease in revenue and operating income(1) occurred in the third and fourth quarters of 2009. Revenue decreased by $243.7 million in the third and fourth quarters of 2009 representing 72.5 percent of the overall reduction. Similarly, operating income(1) decreased by $65.5 million in the third and fourth quarters of 2009 representing 80.2 percent of the overall reduction. These decreases reflect the declines that occurred in

both the Trucking/Logistics and Oilfield Services segments due to lower demand for their services by virtue of the impact of the slowing economy coupled with lower oil and natural gas drilling activity. Net income in the second half of the year in 2009 was $42.0 million, a decrease of only $1.3 million from the $43.3 million generated in 2008. There was only a $1.3 million decrease in net income by virtue of a $72.1 million increase in unrealized gain on foreign exchange mitigating the impact of the $65.5 million decrease in operating income(1). As a result, earnings per share in the second half of 2009 were $0.53, a decrease of $0.01 per share, or 1.9 percent, from the $0.54 generated in 2008.

The decrease in revenue and operating income(1) in the second quarter of 2009, compared to 2008, was also attributable to declines in both the Trucking/Logistics and Oilfield Services segments due to lower demand for their services by virtue of the impact of the continuing recession coupled with lower oil and natural gas drilling activity. Net income in the quarter was negatively affected by an increase in the provision for income taxes, and lower operating income(1) which was somewhat offset by an increase in unrealized gain on foreign exchange.

The decrease in revenue and operating income(1) in the first quarter of 2009, compared to 2008, was attributable to a decline in the Oilfield Services segment. The most notable decrease in revenue and operating income(1) related to core drilling services as low crude oil prices put downward pressure on demand for these services. Net income was negatively affected by both lower operating income(1), an increase in unrealized foreign exchange loss, and higher interest and accretion expense.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A

FOURTH QUARTER FINANCIAL RESULTS

CONSOLIDATED

Revenue

Consolidated revenue in the fourth quarter was $233.6 million, down $121.2 million, or 34.2 percent, from $354.8 million in 2008. This decrease was attributable to lower revenues generated by both the Oilfield Services segment and the Trucking/Logistics segment. In the Oilfield Services segment, revenue decreased by $87.3 million as this segment experienced a significant decrease in the demand for most of its services due to lower natural gas prices. Industry statistics indicate that overall oil and natural gas drilling activity in western Canada during the quarter declined sharply from 5,004 wells in 2008 to approximately 2,666 wells in 2009 (rig released basis), a 46.7 percent decline. Revenue was also negatively impacted in this segment by virtue of lower fuel surcharge revenue especially in those business units leveraged to the transportation of fluids and the servicing of wells. The Trucking/Logistics segment experienced a $34.3 million decrease in revenue by virtue of the slowing economy and its impact on demand for freight services especially in western Canada. Revenue also decreased in this segment by virtue of less fuel surcharge revenue being generated due to the reduction in the average cost of diesel fuel on a year over year basis.

Q4 Consolidated Revenue *(unaudited)* *($ millions)*	**2009**		2008		Change
	$	**%***	$	%*	$
Company	**134.7**	**57.7**	209.4	59.0	(74.7)
Contractors	**96.7**	**41.3**	143.4	40.4	(46.7)
Other	**2.2**	**1.0**	2.0	0.6	0.2
Total	**233.6**	**100.0**	354.8	100.0	(121.2)

** as a percentage of total revenue*

Direct Operating Expenses

Direct operating expenses decreased to $159.6 million, down $74.2 million, or 31.7 percent, from $233.8 million in 2008 as a direct result of the reduction in consolidated revenues during the quarter. Direct operating expenses related to Company Equipment decreased by $40.8 million to $87.4 million, or 64.9 percent of Company revenue, compared to $128.2 million or 61.2 percent of Company revenue in 2008. Contractors expenses decreased by $33.4 million to $72.2 million, or 74.7 percent of Contractors revenue, as compared to $105.6 million or 73.6 percent of Contractors revenue in 2008. Direct operating expenses as a percent of revenue increased to 68.3 percent in 2009 from 65.9 percent in 2008 due to lower margins on both Company Equipment and Contractors. Lower margins on Company Equipment was mainly attributable to the Oilfield Services segment where wages and benefits and repairs and maintenance expense increased as a percentage of Company revenue by virtue of lower fuel surcharge revenue and a highly competitive marketplace resulting in rate reductions that could not entirely be offset by cost controls. The lower margins generated on Contractors were mainly a result of a higher overall percentage of lower margin business. In terms of gross margin, Mullen Group experienced a year over year decrease of $47.0 million on a consolidated basis and on a percentage of revenue basis the margin decreased to 31.7 percent of revenue as compared to 34.1 percent in 2008.

Q4 Consolidated Direct Operating Expenses
(unaudited)

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**35.2**	**26.1**	51.8	24.7	(16.6)
Fuel	**11.4**	**8.5**	18.7	8.9	(7.3)
Repairs and maintenance	**19.3**	**14.3**	27.4	13.1	(8.1)
Operating supplies	**14.0**	**10.4**	19.3	9.2	(5.3)
Other	**7.5**	**5.6**	11.0	5.3	(3.5)
	87.4	**64.9**	128.2	61.2	(40.8)
Contractors	**72.2**	**74.7**	105.6	73.6	(33.4)
Total	**159.6**	**68.3**	233.8	65.9	(74.2)

** as a percentage of respective revenue*

Selling and Administrative Expenses

S&A expenses decreased by $9.5 million to $30.3 million from $39.8 million in 2008. The decrease was mainly attributable to the suspension of the profit share plan for 2009 which resulted in a $5.5 million year over year decrease in S&A expenses. In addition, S&A expense also decreased by approximately $6.5 million by virtue of process improvements and the continuing efforts to reduce and control costs. These savings were offset by a $2.5 million swing in foreign exchange from a $2.2 million gain in 2008 to a $0.3 million loss in 2009 mainly due to the value of the U.S. dollar accounts receivable declining in relation to its CDN. dollar equivalent due to the strengthening in the value of the CDN. dollar. In 2009, wages and benefits increased on a quarter over quarter basis by $2.7 million to $18.4 million from $15.7 million. This increase is mainly due to one-time bonuses for employees in business units whose financial and safety results exceeded expectations. S&A expenses as a percentage of revenue increased by 1.8 percent to 13.0 percent from 11.2 percent in 2008.

Q4 Consolidated Selling and Administrative Expenses
(unaudited)

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Wages and benefits	**18.4**	**7.9**	20.3	5.7	(1.9)
Communications, utilities and general supplies	**8.3**	**3.6**	10.5	3.0	(2.2)
Profit share	**—**	**—**	5.5	1.5	(5.5)
Foreign exchange	**0.3**	**0.1**	(2.2)	(0.6)	2.5
Rent and other	**3.3**	**1.4**	5.7	1.6	(2.4)
Total	**30.3**	**13.0**	39.8	11.2	(9.5)

** as a percentage of total revenue*

Operating Income

Operating income[1] decreased by $37.5 million to $43.7 million from $81.2 million in 2008. This decrease was mainly attributable to the year over year decrease in consolidated revenues. The Oilfield Services segment accounted for $23.7 million of the decrease by virtue of a year over year reduction in drilling activity due to lower natural gas prices. The Trucking/Logistics segment accounted for $9.4 million of the decrease by virtue of the decrease in demand for their services resulting from the impact of the continuing slowdown in the economy. Overall, operating income[1] as a percentage of revenue decreased to 18.7 percent from 22.9 percent in 2008.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.

Depreciation on Property, Plant and Equipment

Depreciation on property, plant and equipment decreased by $1.0 million to $16.0 million from $17.0 million in 2008. This decrease was mainly attributable to the Oilfield Services segment which experienced a decrease of approximately $1.0 million as a result of lower capital expenditures and higher disposals within the segment combined with the Corporation's declining balance method of depreciation. Depreciation in the Corporate Head office and the Trucking/Logistics segment remained consistent year over year.

Amortization on Intangible Assets

Intangible assets are acquired as part of acquisitions and are mainly comprised of non-competition agreements and customer relationship values which are amortized over their estimated life. In the fourth quarter of 2009, amortization on intangible assets remained consistent at $4.7 million compared to the same period in 2008.

Interest and Accretion Expense

Total interest and accretion expense in the fourth quarter increased by $1.6 million to $9.9 million from $8.3 million in 2008. This increase was mainly attributable to an additional $3.1 million of interest and $0.2 million of accretion expense on the $125.0 million of Debentures issued on May 1, 2009. This increase was partially offset by interest expense recorded in 2008 on monies outstanding on the $150.0 million Facility whereas there were no amounts outstanding on the Bank Credit Facility during the fourth quarter of 2009. Mullen Group's debt-to-equity ratio at December 31, 2009 was 0.45:1 compared to 0.47:1 at December 31, 2008. This reduction in the debt-to-equity ratio was mainly due to a $60.3 million increase to Shareholders' equity whereas long-term debt (including the current portion) and Debentures only increased by $7.4 million on a year over year basis.

Unrealized Gain and Loss on Foreign Exchange

(unaudited) *($ millions)*		U.S. $ Debt	Exchange Rate		CDN. $ Equivalent
September 30, 2009 - beginning balance	$	235.0	1.07	$	251.4
December 31, 2009		235.0	1.05		246.7
Unrealized gain on foreign exchange in Q4 2009				$	4.7

For the quarter ended December 31, 2009, Mullen Group recorded an unrealized gain on foreign exchange of $4.7 million due to the impact of the change over the quarter in the value of the CDN. dollar relative to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt. For the same period in 2008, there was an unrealized loss on foreign exchange of $37.6 million due to the change in the value of the CDN. dollar relative to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt.

Unrealized Gain and Loss on Investment

Mullen Group periodically invests in certain private and public corporations which operate within its core business. As such, Mullen Group regularly reviews the financial performance and the underlying carrying value of its investments. At December 31, 2009, Mullen Group recorded an unrealized gain on investments of $0.8 million reflecting the increase in the carrying value of its investments from September 30, 2009 compared to a $2.1 million loss for the same period in 2008.

Loss on Sale of Property, Plant and Equipment

In the fourth quarter of 2009, Mullen Group recognized a loss on sale of property, plant and equipment of $5.4 million on total consolidated proceeds on sale of $5.7 million compared to a $1.6 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $7.0 million for the same period in 2008. In 2009, the majority of the $5.4 million loss on sale of property, plant, and equipment occurred in the Oilfield Services segment which had proceeds on sale totaling $5.9 million. The loss resulted from the disposal of older under-utilized equipment that was in poor operating condition and would have required extensive repair and maintenance costs to continue to operate safely and efficiently. This loss was mostly recognized by business units dependent on oil and natural gas drilling. The Trucking/Logistics segment had proceeds on sale of $0.3 million which mainly consisted of the sale of older trucks and trailers.

Income Taxes

(unaudited)	Three month period ended December 31			
($ millions)		**2009**		**2008**
Income before income taxes and earnings from equity investments	**$**	**13.2**	$	10.0
Income tax rate		**30%**		31%
Computed expected income tax expense		**4.0**		3.1
Add (less):				
Tax related to income allocated to unitholders		—		(6.0)
Reduction of future tax balances due to enacted income tax rate changes		**(1.2)**		—
Non-taxable portion of unrealized (gain) loss on foreign exchange		**(0.7)**		5.8
Other		—		2.1
Provision for income taxes	**$**	**2.1**	$	5.0

For the three month period ended December 31, 2009, Mullen Group recorded a provision for income taxes of $2.1 million, a decrease of $2.9 million compared to $5.0 million in 2008. The following factors contributed to the $2.9 million decrease in the provision for income taxes:

- on May 1, 2009, the Fund converted from an open-ended income trust to a corporation resulting in no income being allocated to unitholders in 2009 whereas, in 2008, income allocated directly to unitholders resulted in a $6.0 million reduction in expected income tax expense; and

- a $4.7 million unrealized gain on foreign exchange in 2009 compared to a $37.6 million unrealized loss on foreign exchange in 2008 resulted in a $6.5 million swing in the non-taxable portion of unrealized (gain) loss on foreign exchange.

Earnings from Equity Investments

In the fourth quarter of 2009, there were no earnings from equity investments as the Corporation did not own any equity investments, whereas in the fourth quarter of 2008 the Fund recognized $2.2 million of earnings from equity investments. The $2.2 million in earnings from equity investments generated in 2008 was mainly attributed to Pe Ben USA. Mullen Group divested and sold its interest in Pe Ben USA on October 31, 2008.

Net Income

(unaudited)	Three month period ended December 31		
($ millions, except per share amounts)	**2009**	**2008**	**% Change**
Net income	$ **11.1**	$ 7.1	56.3
Weighted average number of shares outstanding	**80,605**	80,605	—
Earnings per share - basic	$ **0.14**	$ 0.09	55.6

For the three month period ended December 31, 2009, net income was $11.1 million, an increase of $4.0 million or 56.3 percent compared to the $7.1 million generated in 2008. The $4.0 million increase in net income was mainly due to a $42.3 million increase in unrealized gain on foreign exchange which was offset by a $37.5 million decrease in operating income(1). The $42.3 million increase in unrealized gain on foreign exchange was mainly due to the impact of the change over the year in the value of the CDN. dollar relative to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt. The $37.5 million decrease in operating income(1) was mainly attributable to the year over year decrease in consolidated revenues.

Other factors contributing to the change in net income include:

- a $3.8 million increase in loss on sale of property, plant and equipment;
- a $2.9 million increase in unrealized gain on investments;
- a $1.6 million increase in interest and accretion expense;
- a $2.9 million decrease in the provision for income taxes;
- a $2.2 million decrease in earnings from equity investments; and
- a $1.0 million decrease in depreciation on property, plant and equipment.

As a result, basic earnings per share increased to $0.14 from $0.09 in 2008. The weighted average number of shares outstanding remained consistent on a year over year basis at 80,605,000.

The chart below illustrates the impact on net income and basic earnings per share as though Mullen Group had been a corporation since January 1, 2008 as well as before the unrealized gain on foreign exchange in 2009 and the unrealized loss on foreign exchange in 2008. Net income and basic earnings per share are adjusted to reflect earnings from a strictly operating perspective.

(1) *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

(unaudited) ($ millions, except per share amounts)	Three month period ended December 31 2009	2008
Income before income taxes and earnings from equity investments	$ **11.1**	$ 7.1
Add (less):		
Unrealized (gain) loss on foreign exchange	**(4.7)**	37.6
Adjusted - Income before income taxes and earnings from equity investments	**6.4**	44.7
Income tax rate	**30%**	31%
Computed expected income tax expense	**(1.9)**	(13.9)
Earnings from equity investments	**—**	2.2
Net income - adjusted for impact of unrealized (gain) loss on foreign exchange and conversion to a corporation	**4.5**	33.0
Weighted average number of shares outstanding – basic	**80,605**	80,605
Earnings per share - adjusted for unrealized (gain) loss on foreign exchange and conversion to a corporation	$ **0.06**	$ 0.41

SEGMENTED INFORMATION - FOURTH QUARTER RESULTS

(unaudited) Three month period ended December 31, 2009 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	**146.1**	**89.5**	**(2.0)**	**233.6**
Direct operating expenses	**97.1**	**65.2**	**(2.7)**	**159.6**
Selling and administrative expenses	**17.7**	**9.5**	**3.1**	**30.3**
Operating income [(1)]	**31.3**	**14.8**	**(2.4)**	**43.7**

(unaudited) Three month period ended December 31, 2008 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	233.4	123.8	(2.4)	354.8
Direct operating expenses	149.2	88.6	(4.0)	233.8
Selling and administrative expenses	29.2	11.0	(0.4)	39.8
Operating income [(1)]	55.0	24.2	2.0	81.2

[(1)] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

OILFIELD SERVICES SEGMENT

Revenue

This segment was responsible for 62.0 percent of pre-consolidated revenue for the quarter compared to 65.3 percent in 2008. Revenue was $146.1 million, a decrease of $87.3 million, or 37.4 percent, from $233.4 million in 2008. The decrease in revenue was mainly attributable to three factors:

Q4 Revenue - Oilfield Services *(unaudited)* *($ millions)*	**2009**		2008		Change
	$	**%***	$	%*	$
Company	**101.1**	**69.2**	163.9	70.2	(62.8)
Contractors	**43.6**	**29.8**	68.0	29.1	(24.4)
Other	**1.4**	**1.0**	1.5	0.7	(0.1)
Total	**146.1**	**100.0**	233.4	100.0	(87.3)

** as a percentage of total revenue*

- Business units dependent on oil and natural gas drilling activity in western Canada experienced a significant decrease in revenue of approximately $51.2 million or 50.2 percent from 2008. This decrease was directly attributable to the 46.7 percent reduction in overall drilling activity in western Canada and the very competitive pricing environment that has been created.

- Business units leveraged to the transportation of fluids and the servicing of wells experienced a decrease in revenue of $19.5 million compared to 2008 by virtue of both a reduction in fuel surcharge revenue, and the impact of a reduction in drilling activity resulting from the economic slowdown.

- Revenue in business units tied to infrastructure development decreased on a year over year basis by $18.1 million. This decrease was mainly due to a slowdown in project specific work.

In addition, revenue associated with core drilling services decreased by $3.2 million due to downward pressure on demand for these services.

Direct Operating Expenses

Direct operating expenses decreased to $97.1 million, down $52.1 million, or 34.9 percent, from $149.2 million in 2008. This $52.1 million decrease was directly related to the $87.3 million reduction in segment revenues during the quarter. Direct operating expenses related to Company Equipment decreased by $34.3 million to $65.1 million, or 64.4 percent of Company revenue, compared to $99.4 million or 60.6 percent of Company Revenue in 2008. Wages and benefits, repairs and maintenance and operating supplies all increased as a percentage of revenue mainly due to lower fuel surcharge revenue and pricing pressure. As a result, direct operating expenses related to Company Equipment as a percentage of Company revenue increased on a year over year basis. Contractors expense was $32.0 million, a decrease of $17.8 million, and it represented 73.4 percent of Contractors revenue, as compared to $49.8 million or 73.2 percent of Contractors revenue in 2008. Margins on Contractors remained fairly consistent on a year over year basis at 73.4 percent. Direct operating expenses represented as a percent of revenue increased to 66.5 percent in 2009 from 63.9 percent in 2008 due to the lower margins generated from Company revenue in the current period. In terms of gross margin, this segment

Q4 Direct Operating Expenses - Oilfield Services *(unaudited)* *($ millions)*	**2009**		2008		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**28.1**	**27.8**	43.7	26.7	(15.6)
Fuel	**8.6**	**8.5**	14.5	8.8	(5.9)
Repairs and maintenance	**15.0**	**14.8**	21.8	13.3	(6.8)
Operating supplies	**9.3**	**9.2**	12.6	7.7	(3.3)
Other	**4.1**	**4.1**	6.8	4.1	(2.7)
	65.1	**64.4**	99.4	60.6	(34.3)
Contractors	**32.0**	**73.4**	49.8	73.2	(17.8)
Total	**97.1**	**66.5**	149.2	63.9	(52.1)

** as a percentage of respective revenue*

experienced a decrease of $35.2 million, and as a percentage of revenue, the margin decreased to 33.5 percent as compared to 36.1 percent in 2008.

Selling and Administrative Expenses

S&A expenses decreased to $17.7 million, down $11.5 million, or 39.4 percent, from $29.2 million in 2008. This decrease in S&A expenses was attributable to two factors:

- approximately $5.6 million by virtue of the continuing efforts of the business units in the segment to reduce and control costs; and
- the suspension of the profit share plan for 2009 which resulted in a $5.9 million decrease in S&A expenses.

Q4 Selling and Administrative Expenses - Oilfield Services
(unaudited)

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Wages and benefits	**10.6**	**7.3**	13.0	5.6	(2.4)
Communications, utilities and general supplies	**5.3**	**3.6**	6.7	2.9	(1.4)
Profit share	**—**	**—**	5.9	2.5	(5.9)
Rent and other	**1.8**	**1.2**	3.6	1.5	(1.8)
Total	**17.7**	**12.1**	29.2	12.5	(11.5)

** as a percentage of total revenue*

S&A wages and benefits increased on a quarter over quarter basis by $1.6 million to $10.6 million from $9.0 million. This increase was mainly due to one-time bonuses for employees in business units whose financial and safety results exceeded expectations. S&A expenses as a percentage of revenue decreased slightly by 0.4 percent to 12.1 percent from 12.5 percent in 2008 as a result of efforts to reduce and control costs.

Operating Income

Operating income[(1)] decreased by $23.7 million, or 43.1 percent, to $31.3 million from $55.0 million in 2008. This decrease was attributable to a decline in drilling activity coupled with a highly competitive operating environment which resulted in greater pricing pressure. As a result, operating income[(1)] decreased by:

- $13.1 million in those business units dependent on oil and natural gas drilling activity in western Canada;
- $6.7 million in those business units tied to infrastructure development; and
- $4.9 million in those business units leveraged to the transportation of fluids and the servicing of wells.

These decreases were somewhat offset by a reduction in operating loss[(1)] of approximately $1.0 million from core drilling services as this business unit downsized to meet current demand for its services. Despite a 37.4 percent decrease in Oilfield Services segment revenue and continued pricing pressure, operating income[(1)] as a percentage of revenue only decreased to 21.4 percent from 23.6 percent in 2008.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.

Capital Expenditures

The Oilfield Services segment had gross capital expenditures of $7.6 million and dispositions of $5.9 million for net capital additions of $1.7 million in 2009. Gross capital expenditures mainly consisted of additional equipment for those business units tied to the transportation of fluids and to those providing services to the oilsands projects near Fort McMurray, Alberta. The majority of the dispositions related to older under-utilized trucks and trailers in those business units dependent on oil and natural gas drilling activity in western Canada. In 2008, gross capital expenditures were $14.6 million and dispositions were $4.7 million for net capital expenditures of $9.9 million.

The year over year decline in net capital expenditures of $8.2 million is a direct result of the decrease in demand for most services within this segment.

TRUCKING/LOGISTICS SEGMENT

Revenue

This segment was responsible for 38.0 percent of pre-consolidated revenue for the quarter compared to 34.7 percent in 2008. Revenue was $89.5 million, a decrease of $34.3 million, or 27.7 percent, from $123.8 million in 2008. The impact of the slowdown in the economy negatively impacted demand for freight services particularly in western Canada. More specifically, the weakening in freight demand was directly attributable to a lack of construction and mining projects in addition to the postponement or delay of certain Alberta oilsands projects. The year over year reduction in fuel surcharge revenue due to the decline in the price of diesel fuel was also a significant factor in the decrease in revenue. Also contributing to the $34.3 million decrease in revenue was a weaker demand for both LTL services, especially in Alberta, and bulk transportation services particularly associated with transporting cement for the construction industry.

Q4 Revenue - Trucking/Logistics
(unaudited)

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Company	**33.6**	**37.5**	45.7	36.9	(12.1)
Contractors	**55.5**	**62.0**	77.9	62.9	(22.4)
Other	**0.4**	**0.5**	0.2	0.2	0.2
Total	**89.5**	**100.0**	123.8	100.0	(34.3)

** as a percentage of total revenue*

Direct Operating Expenses

Direct operating expenses decreased to $65.2 million, down $23.4 million, or 26.4 percent, from $88.6 million in 2008. This $23.4 million decrease was directly related to the $34.3 million reduction in segment revenues during the quarter. Direct operating expenses related to Company Equipment decreased by $7.5 million to $22.8 million or 67.8 percent of Company revenue, compared to $30.3 million or 66.3 percent of Company revenue in 2008. Contractors expense decreased by $15.9 million to $42.4 million, or 76.4 percent of Contractors revenue, as compared to $58.3 million or 74.8 percent of Contractors revenue in 2008. Direct operating expenses as a percent of revenue increased to 72.9 percent in 2009 from 71.6 percent in 2008 by virtue of lower margins generated on Contractors and Company Equipment. The lower margins generated on Contractors were mainly a result of a higher overall percentage of lower margin business. The lower margins generated on Company revenue were mainly due to the impact of wages and benefits. Although wages and benefits decreased by $1.0 million, as a percentage of Company revenue, wages and benefits increased by 3.4 percent on a year over year basis due to less revenue being generated by virtue of lower fuel surcharge revenue and pricing pressure. In terms of gross margin, this segment experienced a year over year decrease of $10.9 million, and as a percentage of revenue, the margin decreased to 27.1 percent as compared to 28.4 percent in 2008.

Q4 Direct Operating Expenses - Trucking/Logistics
(unaudited)

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**7.1**	**21.1**	8.1	17.7	(1.0)
Fuel	**2.8**	**8.3**	4.1	9.0	(1.3)
Repairs and maintenance	**4.3**	**12.8**	5.7	12.5	(1.4)
Operating supplies	**4.7**	**14.0**	6.7	14.7	(2.0)
Other	**3.9**	**11.6**	5.7	12.4	(1.8)
	22.8	**67.8**	30.3	66.3	(7.5)
Contractors	**42.4**	**76.4**	58.3	74.8	(15.9)
Total	**65.2**	**72.9**	88.6	71.6	(23.4)

** as a percentage of respective revenue*

Selling and Administrative Expenses

S&A expenses decreased by $1.5 million to $9.5 million from $11.0 million in 2008. This $1.5 million decrease in S&A expenses was mainly attributable to the suspension of the profit share plan for 2009 which resulted in a $3.4 million year over year decrease in S&A expenses. The savings realized from the suspension of the profit share plan were somewhat offset by a $2.1 million swing in foreign exchange from a $2.0 million gain in 2008 to a $0.1 million loss in 2009 mainly due to the value of the U.S. dollar accounts receivable declining in relation to its CDN. dollar equivalent due to the strengthening in the value of the CDN. dollar. S&A wages and benefits increased on a quarter over quarter basis by $1.2 million to $6.9 million from $5.7 million. This increase was mainly due to one-time bonuses for employees in business units whose financial and safety results exceeded expectations. S&A expenses as a percentage of revenue increased by 1.7 percent to 10.6 percent from 8.9 percent in 2008 as a result of the $34.3 million decrease in segment revenue.

Q4 Selling and Administrative Expenses - Trucking/Logistics
(unaudited)

($ millions)	**2009**		2008		Change
	$	**%***	$	%*	$
Wages and benefits	**6.9**	**7.7**	6.0	4.9	0.9
Communications, utilities and general supplies	**2.3**	**2.6**	2.9	2.3	(0.6)
Profit share	**—**	**—**	3.4	2.7	(3.4)
Foreign exchange	**0.1**	**0.1**	(2.0)	(1.6)	2.1
Rent and other	**0.2**	**0.2**	0.7	0.6	(0.5)
Total	**9.5**	**10.6**	11.0	8.9	(1.5)

** as a percentage of total revenue*

Operating Income

Operating income[(1)] decreased by $9.4 million, or 38.8 percent, to $14.8 million from $24.2 million in 2008. This decrease was mainly attributable to the impact of the slowdown in the economy on demand for this segments services, especially in western Canada. The effect of the slowdown in the economy was somewhat offset by the reduction in S&A expenses resulting from the suspension of the profit share plan. Operating income[(1)] as a percentage of revenue, decreased to 16.5 percent from 19.5 percent in 2008.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.

Capital Expenditures

The Trucking/Logistics segment had gross capital expenditures of $2.7 million and dispositions of $0.3 million for net capital expenditures of $2.4 million in 2009. Gross capital expenditures consisted of the replacement of older trucks and trailers. In 2008, gross capital expenditures were $3.8 million and dispositions were $2.5 million for net capital expenditures of $1.3 million.

CORPORATE

For the period, the Corporate Head Office generated miscellaneous revenue of $0.3 million and incurred net administrative expenses of $2.7 million, which resulted in a net operating loss of $2.4 million. For the same period in 2008, Corporate Head Office generated miscellaneous revenue of $0.3 million and had a net recovery of administrative expense of $1.7 million which resulted in a net operating gain of $2.0 million. The $4.4 million increase in net operating loss was mainly due to a reduction of $4.9 million in the fees charged by Corporate Head Office to the operating business units in 2009 as compared to 2008.

Other factors impacting the net operating losses incurred by Corporate Head Office included:

- a $0.5 million decrease in stock-based compensation expense;
- a $0.3 million decrease in salaries and wages;
- a $0.2 million decrease in capital taxes;
- a $0.3 million increase in foreign exchange losses; and
- a $0.2 million increase in land and building rents assumed by Corporate Head Office.

CAPITAL RESOURCES AND LIQUIDITY – FOURTH QUARTER RESULTS

Sources and Uses of Cash

(unaudited) *($ millions)*	Three month period ended December 31 2009	Three month period ended December 31 2008
Cash, beginning of period	$ **192.2**	$ —
Sources of cash:		
Funds from operations[1]	**33.5**	72.0
Cash distribution from equity investee	—	4.8
Proceeds from sale of equity investment	—	0.5
Other assets	—	0.2
Total sources	**33.5**	77.5
Uses of cash:		
Changes in non-cash working capital items	**0.9**	2.9
Cash distributions paid	—	36.2
Cash dividends paid	**10.1**	—
Acquisitions	**1.3**	1.0
Net property, plant and equipment additions	**5.9**	14.6
Repayment of long-term debt	**0.8**	18.8
Cheques issued in excess of cash	—	3.7
Other assets	**1.8**	—
Total usage	**20.8**	77.2
Increase in cash	**12.7**	0.3
Cash, end of period	$ **204.9**	$ 0.3

[1] *Funds from operations is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

For the three month period ended December 31, 2009, funds from operations[(1)] were $33.5 million, a decrease of $38.5 million, or 53.5 percent, from $72.0 million in 2008. This decrease was mainly due to the $37.5 million reduction in operating income[(1)] in 2009 compared to 2008. Also contributing to this decrease was the additional $1.6 million of interest and accretion expense mainly by virtue of the Debentures. On a per share basis, funds from operations[(1)] were $0.41 per share in 2009, a decrease of $0.48 from the $0.89 generated in 2008.

For the three month period ended December 31, 2009, $33.5 million of funds from operations[(1)] were used to pay $10.1 million in dividends to shareholders, acquire net property, plant and equipment in the amount of $5.9 million, fund acquisitions of $1.3 million and other assets of $1.8 million, finance non-cash working capital items of $0.9 million, and repay long-term debt of $0.8 million.

Cash flow from operating activities was $32.6 million, a decrease of $36.5 million, or 52.8 percent, from $69.1 million in 2008. This decrease was due to the a significant $38.5 million decrease in funds from operations[(1)] as discussed above. The $38.5 million decrease in funds from operations[(1)] was slightly offset by a $2.0 million change in non-cash working capital items.

[(1)] *Funds from operations and operating income are non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

TRANSACTIONS WITH RELATED PARTIES

In 2009, Mullen Group provided transportation services mainly related to the oil and natural gas industry in western Canada and generated revenue of $7.9 million from customers related by common directors. The $7.9 million of revenue was generated mostly for services provided within the Oilfield Services segment. In 2008, Mullen Group generated revenue of $10.2 million from customers related by either common directors or by equity investment. Specifically, Mullen Group recorded revenue of $8.7 million to several customers related by common directors mostly from services provided within the Oilfield Services segment. Also, Mullen Group recorded revenue of $1.5 million from two customers related by equity investment mostly for the transportation of pipe and some oilfield fluid hauling.

In 2009, Mullen Group incurred expenses for transportation services of $1.4 million which related to operations within the Oilfield Services segment. Of these services, $1.0 million related to the transportation of fluids and drilling rig relocation services with companies related by common directors. Another $0.2 million of these expenses related to the transportation of oilfield fluids with a company related by equity investment. Another $0.2 million related to general oilfield hauling with a private company owned by a director of Mullen Group. Other expenses of $0.9 million (2008 - $1.3 million) related to land and building rent paid to a private company owned or controlled by a director of Mullen Group. In 2008, Mullen Group incurred expenses for transportation services of $1.1 million which related to operations within the Oilfield Services segment. Of these services, $0.7 million related to the transportation of oilfield fluids with a company related by equity investment. Another $0.4 million related to drilling rig relocation services with companies related by common directors.

At December 31, 2009, Mullen Group had accounts receivable of $0.4 million (2008 - $4.7 million) outstanding from various companies related by common directors. In 2008, the $4.7 million in accounts receivable consisted of $3.0 million outstanding from two companies related by equity investment and $1.7 million outstanding from companies related by common directors.

All of the transactions noted above occurred in the normal course of operations with terms consistent with those offered to arm's length parties and are measured at the exchange amount. Other than a lease agreement which expires in 2011 on building rent, Mullen Group has no long-term contracts with any related party.

PRINCIPAL RISKS AND UNCERTAINTIES

The operational complexities inherent in our business, together with the highly regulated and competitive environment of the industries in which we operate, leave Mullen Group exposed to a number of risks and uncertainties ("risks"). Many of these risks, for example, the cyclical nature of the oil and natural gas industry, can be mitigated to a certain degree but still remain outside of our control. Management believes that the risks described below are the ones that could have the most significant impact on Mullen Group. Readers are cautioned that the foregoing list of risks is not exhaustive and new information, future events or changing circumstances could affect the operations and financial results of the Mullen Group.

The transportation business and other activities of Mullen Group are directly affected by fluctuations in the general economy, including the amount of trade between Canada and the United States, and the value of the Canadian dollar as compared to the U.S. dollar. The Oilfield Services segment is directly affected by fluctuations in the levels of oil and natural gas drilling activity, oilsands development and production activity carried on by its customers, which in turn is dictated by numerous factors, including world energy prices and government policies.

Mullen Group has a risk management review process to ensure that its risks are mitigated where possible. The risk management review process highlights the significant risks which then leads to mitigation plans through, among other things, the establishment of standards and other controls. Mullen Group has established and enforces a corporate wide Code of Ethics and Conduct and has instituted an anonymous Whistleblower protocol. The inability to identify, assess and respond to risks through the risk management review process could lead to, among other things, an inability to capture opportunities, threats materializing, inefficiency and non-compliance with laws and regulations.

The most significant risks are categorized and described as follows:

Strategic	Financial	Operational
• Global Economic Crisis • Oil and Natural Gas Drilling Activity • Changes in Legislation • Failure to Realize Anticipated Benefit of Acquisitions and Disposals • Competition • Climate Change Regulations and Carbon Pricing/Taxes • Alternatives to and Changing Demand For Petroleum Products	• Foreign Exchange • Access to Financing • Reliance on Major Customers • Credit Risk • Interest Rates • Capital Expenditures	• Fuel Prices • Potential Operating Risks and Insurance • Environmental Liability Risks • Employees and Labour Relations • Cost Escalation • Access to parts, Development of New Technology and Relationships with Key Suppliers • Digital Infrastructure • Business Continuity, Disaster Recovery and Crisis Management • Regulation • Weather and Seasonality

STRATEGIC RISKS:

Global Economic Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening

of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, Organization of the Petroleum Exporting Countries actions and the ongoing global credit and liquidity concerns.

The global economic crisis appears to be waning and an economic recovery may be emerging. In light of the current global economic situation, Mullen Group endeavours to maintain a strong balance sheet through its structured debt and a positive working capital position. Furthermore, Mullen Group manages its cash flows prudently to ensure that it maintains what it believes is an appropriate level of liquidity to carry out its strategic plans.

Oil and Natural Gas Drilling Activity

A significant portion of Mullen Group's revenue and operating profit is related to oil and natural gas drilling activity in western Canada. As a service provider to the oil and natural gas industry, Mullen Group is highly reliant on levels of capital expenditures made by oil and natural gas producers. Exploration and production companies base their capital expenditures on several factors, including but not limited to hydrocarbon prices, production levels and access to capital. Oil and natural gas producers and explorers tend to examine long-term fundamentals affecting the foregoing factors before they adjust their capital budgets to reflect those factors. In recent years, commodity prices, and therefore, the level of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for Mullen Group's services. A significant, prolonged decline in commodity prices could have a material adverse effect on the business, results of operation and financial condition of Mullen Group's Oilfield Services segment.

In consideration of this risk, Mullen Group endeavours to ensure that its costs and pricing are appropriate for the anticipated level of drilling activity and continually assesses the requirements for further investments in its Oilfield Services segment and we have diversified our operations to mitigate this risk.

Changes in Legislation

The operations of Mullen Group are subject to a variety of federal, provincial and local laws, regulations and guidelines. There can be no assurance that such laws, regulations and guidelines, including income tax laws and the status of government programs relating to the oil and natural gas industry, the energy services industry and the transportation industry, and environmental and applicable operating legislation will not be changed in a manner which adversely affects Mullen Group. Any such change could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

There can be no assurance that the laws, regulations or rules governing Mullen Group's customers will not be changed in a manner which adversely affects such customers and, thereby, Mullen Group. During 2007 such occurred by virtue of the Alberta government's decision to change the royalty regime governing the oil and natural gas industry in Alberta. This decision could continue to adversely affect drilling activity in Alberta in future years.

The diversity of Mullen Group's business units and its decentralized business model may diminish the effect that a change in legislation could have on Mullen Group as a whole. This diversification strategy has resulted in Mullen Group investing in several sectors of the economy, most notably oilfield service, transportation and logistics, and in many geographic regions across Canada. Mullen Group monitors proposed legislative changes and

participates with various industry associations in advocating for reasonable and non-disruptive regulatory changes.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Mullen Group makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets will be periodically disposed of so that Mullen Group can focus its efforts and resources more efficiently. Depending on the state of the market such non-core assets, if disposed of, could be expected to realize less than their carrying value on the consolidated financial statements of Mullen Group.

Competition

The various business segments in which Mullen Group participates are highly competitive. Mullen Group competes with several large companies in the transportation and energy services industry that may have greater financial and other resources than Mullen Group. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of Mullen Group or that new competitors will not enter the various markets in which Mullen Group is active.

In certain aspects of its business, Mullen Group has competitive advantages such as lower overhead costs and specialized regional strengths. Mullen Group endeavours to use technological change and innovation to remain competitive in its various businesses. Furthermore, the diversity of Mullen Group's business units and its decentralized business model may diminish the effect that new competitive forces might have on Mullen Group as a whole.

Climate Change Regulations and Carbon Pricing/Taxes

A change in this regulatory regime may impact our customers and our operations. Climate change regulations and carbon taxes may lead to project delays and additional costs to producers affecting both their profitability and their investments in oil and natural gas. Given the evolving nature of the debate related to climate change, it is not currently possible to predict the nature of or the impact on Mullen Group and its operations and financial condition at this time.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Management cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

FINANCIAL RISKS

Foreign Exchange

Mullen Group is exposed to foreign exchange risk as the value of the Canadian dollar declines against the U.S. dollar, as $235.0 million of its debt is repayable in U.S. funds. Mullen Group is also exposed to foreign exchange

risk since the interest on its $235.0 ($US) million Senior Notes payable in U.S. dollars. This risk is partially offset by the fact that Mullen Group generates surplus U.S. funds in its operations.

Access to Financing

Mullen Group may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Mullen Group when needed or on terms acceptable to Mullen Group which could limit Mullen Group's growth and could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

Mullen Group manages its cash flows diligently to ensure that it maintains what it believes is a suitable level of liquidity and leverage. Mullen Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Mullen Group is of the view that it will be able to obtain additional financing when needed, in the amounts it requires and on terms acceptable to it, however, there is no assurance that such additional financing will be available to Mullen Group when needed or on terms acceptable to Mullen Group.

Reliance on Major Customers

The top 10 customers of Mullen Group accounted for approximately 32.8 percent of the Corporation's revenue for the year ended December 31, 2009 and the largest customer accounted for approximately 8.1 percent of such revenue. There can be no assurance that Mullen Group's current customers will continue their relationships with Mullen Group. The loss of one or more major customers, or any significant decrease in transportation services or oilfield services provided to a customer, prices paid, or any other changes to the terms of service with customers, could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

Mullen Group attempts to mitigate this risk through its diversification strategy in an attempt to ensure that Mullen Group, as a whole, does not become reliant on any single customer.

Credit Risk

Substantial portions of Mullen Group's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. Mullen Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Mullen Group hauls a wide variety of freight for a broad customer base which spans numerous industries. Mullen Group's top ten customers are all well-known, publicly-traded companies.

Mullen Group mitigates this risk through its diversification strategy to ensure that Mullen Group, as a whole, does not have undue exposure to any one account (see Reliance on Major Customer's section). Mullen Group has established a credit policy under which new customers are reviewed for creditworthiness before services are offered. The review includes external ratings, where available, and in certain cases bank references. Customers that fail to meet the Corporation's benchmark creditworthiness may transact with the Corporation only on a prepayment basis. Mullen Group reviews its accounts receivable aging on an ongoing basis as part of its process in managing its credit risk.

Interest Rates

At December 31, 2009 most of Mullen Group's debt was financed at fixed rates maturing in 7 to 9 years which protects it from interest rate increases. However, Mullen Group's operating facility with its lender has a floating

interest rate therefore; to the extent Mullen Group utilizes this credit facility it has a risk of interest rates rising. Although this facility was available, as at December 31, 2009 Mullen Group had not drawn on this facility.

Mullen Group has mitigated the risk of rising interest rates by financing most of its debt at fixed rates.

Capital Expenditures

The timing and amount of capital expenditures by Mullen Group may affect the amount of cash available for dividends.

OPERATIONAL RISKS

Fuel Prices

One of Mullen Group's largest operating expenses is fuel and as such higher fuel prices could have a material adverse effect on Mullen Group's business, results of operations and financial conditions.

Mullen Group mitigates this exposure to rising costs through the implementation of various fuel surcharge programs which pass the majority of cost increases to its customers. In addition, Mullen Group has implemented policies that focus on fuel efficiency including: fuel economy, asset utilization and minimizing dead-head mileage, proper repairs and maintenance of equipment, idling and speed policies.

Potential Operating Risks and Insurance

Mullen Group's Oilfield Services' operations are subject to risks inherent in the oil and natural gas industry, such as equipment defects, malfunction, failures and natural disasters. These risks could expose Mullen Group to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. In addition, Mullen Group's transportation operations are subject to risks normally inherent in the transportation industry, including potential liability which could result from, among other things, personal injury or property damage arising from motor vehicle accidents.

Although Mullen Group has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover Mullen Group's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If Mullen Group were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Mullen Group were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Mullen Group has insurance and risk management programs in place to protect its assets, operations and employees. Mullen Group also has programs in place to address compliance with current safety and regulatory standards. Mullen Group has a health and safety coordinator in each operating subsidiary responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. The health and safety coordinators are required to report incidents directly to the Vice President, Safety and Loss Prevention of Mullen Group who reports directly to the Chief Executive Officer of Mullen Group.

Environmental Liability Risks

Certain of Mullen Group's subsidiaries will routinely deal with natural gas, oil and other petroleum products. Canadian laws generally impose potential liability to the present or former owners or occupants of properties on which contamination has occurred.

Although Mullen Group is not aware of any contamination which, if remediation or clean up were required, would have a material adverse effect on Mullen Group, there can be no assurance that Mullen Group will not be required, at some future date, to incur significant costs to comply with environmental laws, or that its operations, business, assets or cash flow will not be materially adversely affected by current or future environmental laws.

Mullen Group has programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that Mullen Group's procedures will prevent environmental damage occurring from spills of materials handled by Mullen Group or that such damage has not already occurred.

Employees and Labour Relations

The success of Mullen Group is dependent upon Mullen Group's ability to attract and retain key personnel. Any loss of the services of such persons could have a material adverse effect on Mullen Group's business, results of operations and financial condition. The ability of Mullen Group to expand its services will be dependent upon Mullen Group's ability to attract additional qualified employees which is constrained in times of strong industry activity. The failure to attract and retain a sufficient number of qualified drivers and owner-operators could also have a material adverse affect on the profitability of Mullen Group.

The largest components of Mullen Group's overall expenses are salary, wages, benefits and costs of contractors. Any significant increase in these expenses could impact the financial results of Mullen Group. In addition, Mullen Group is at risk if there are any labour disruptions. Some of Mullen Group's business units are subject to collective agreements with their employees. Any work stoppages or unbudgeted or unexpected increases in compensation could have a material adverse affect on Mullen Group's profitability and reduce cash flow from operating activities.

Cost Escalation

Cost escalations due to rising costs, effect of inflation, the price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and national and regional economic conditions are factors over which Mullen Group has little or no control. Significant increases in fuel prices, equipment prices, other input prices, interest rates or insurance costs, to the extent not offset by increases in transportation rates or contractual surcharges, or disruptions in fuel supply, would reduce profitability and could adversely affect Mullen Group's ability to carry out its strategic plans. Mullen Group cannot predict the impact of future economic conditions and there is no assurance that the operations of Mullen Group will continue to be profitable.

Mullen Group focuses on operational excellence, synergies between its business units and cost control. Mullen Group relies on, among other things, long-term planning, budgeting processes, and internal benchmarking to achieve its profitability targets.

Access to Parts, Development of New Technology and Relationships with Key Suppliers

The ability of Mullen Group to compete and expand is dependent on Mullen Group having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies. Although Mullen has individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained by Mullen Group. If these are not maintained, Mullen Group's ability to compete may be impaired. Mullen Group is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for its relationship with certain key suppliers. Should the relationships with key suppliers cease the availability and cost of securing certain equipment and parts may be adversely affected.

Mullen Group assesses its suppliers and endeavours to ensure that its suppliers are financially viable or that suitable substitutes exist.

Digital Infrastructure

A well functioning and efficient IT system is a prerequisite to growth, operational excellence and superior customer service, to aid day-to-day operational management and to provide accurate financial information. Our business involves high transaction volumes, complex logistics, the need to track thousands of orders and trucks at any given time and the need to communicate with trucks and field personal in real time. We are therefore heavily dependent on the certain software, satellite systems and network infrastructure. A serious prolonged failure in this area may materially affect our business.

Both at the corporate level and in the individual business units, IT systems are subject to stringent guidelines, standardization, vigorous virus and access protection, back-up systems and replicated data. Mullen Group employs project management techniques to manage new software developments and/or system implementations. Mullen Group has a disaster recovery plan in place which is evaluated periodically and portions thereof are tested on a regular basis. Hosted by a reputable third-party, our main data centre has high levels of durability and redundancy built into it. Additionally, we have a second operational data centre which will allow the Corporation to continue processing data in the event of a major incident.

Business Continuity, Disaster Recovery and Crisis Management

Inability to restore or replace critical capacity in a timely manner may impact business and operations. A serious event could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

This risk is mitigated by the development of business continuity arrangements, including disaster recovery plans and back-up delivery systems, to minimize any business disruption in the event of a major disaster. Insurance coverage may minimize any losses in certain circumstances.

Regulation

Notwithstanding that the transportation industry is largely deregulated in terms of entry into the industry; each carrier must obtain a license from, or register with, provincial regulatory authorities in order to carry goods extra-provincially or to transport goods within any province. Licensing is also required from regulatory authorities in the United States for the transportation of goods between Canada and the United States. Changes in regulations applicable to Mullen Group could increase operating costs and have a material adverse effect on Mullen Group's business, results of operations and financial condition. The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although Mullen Group is committed to compliance and safety through its operational excellence initiatives, there is no assurance that Mullen Group will be in full compliance at all times with such policies, guidelines and regulations. Consequently, at some future time, Mullen Group could be required to incur significant costs to maintain or improve its compliance record.

Mullen Group monitors regulatory framework with particular focus on over-dimensional freight and transportation of fluids and works with industry associations to advocate its needs to regulators and ensure equipment meets regulations and capital is invested to meet current and anticipated regulatory requirements.

Weather and Seasonality

Harsh weather conditions can impede the movement of goods and increase the operating costs for the materials that can be transported, which could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

In general, the level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and natural gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of Mullen Group.

Mullen Group mitigates some of this risk by charging standby fees or by positioning equipment in strategic locations in order to take advantage of good weather conditions when they occur. Mullen Group also manages this risk by diversifying its operations and by using subcontractors and owner operators, which require no investment by the Corporation, to handle seasonal peaks. Mullen Group's growth through acquisition into businesses not directly dependent on oil and natural gas drilling activity has lessened the seasonal nature of Mullen Group's overall performance.

CRITICAL ACCOUNTING ESTIMATES

Mullen Group has to make several critical accounting estimates as detailed below:

(1) Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of a business acquisition over the fair value of the underlying net assets at the date of acquisition. In accordance with the CICA Handbook Section 3062, goodwill is not amortized and is subject to an annual impairment test, or more frequently if events or changes in circumstances indicate the net asset might be impaired.

When the carrying value of the reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business acquisition, is compared with its carrying amount to measure the amount of the impairment loss, if any.

Intangible assets are mainly comprised of customer relationships and non-competition agreements. The fair value of these assets are calculated when a business is acquired and then amortized on a straight-line basis over their estimated life. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is not recoverable and exceeds its estimated fair value. At December 31, 2009, intangible assets were not reviewed for impairment given there were no changes in circumstances that indicated that the carrying amount may not be recoverable.

At December 31, 2009, Mullen Group performed its annual impairment test for goodwill. It was concluded that there was no impairment of goodwill in either of Mullen Group's reportable segments. The fair value of goodwill calculated at December 31, 2009 exceeded both the $772.9 million carrying amount in the Oilfield Services segment, and the $73.5 million carrying amount in the Trucking/Logistics segment.

The fair value of goodwill in both operating segments was calculated based on the segments' trailing twelve months operating income[1] multiplied by an average trading multiple consistent with comparable companies operating within the same industry with a control premium of approximately 15.1 percent in its calculation of the fair value of goodwill.

Using the same methodology in 2008 with a control premium of 20.0 percent, Mullen Group did not recognize an impairment of either its goodwill or intangible assets in either of its operating segments. Intangible assets were tested for impairment at December 31, 2008 given the unstable global economic market conditions at that time.

[1] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 57 of this MD&A.*

(2) Depreciation

The method of calculating depreciation expense is an estimate. Mullen Group considers its method and rates of depreciation reasonably reflect the annual decline in the value of property, plant and equipment. These methods and rates used are validated by the fact that net gains or losses on sale of property, plant and equipment over the last 10 years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time.

(3) Bad Debt Expense

Mullen Group regularly reviews accounts receivables and sets up a reserve for bad debts on a customer-by-customer basis. This is an estimate as some of the reserved accounts may subsequently be collected whereas some accounts currently deemed collectible, may become uncollectible. Mullen Group considers its reserve of $2.6 million against total gross accounts receivable of $151.1 million at the end of December 31, 2009 to be reasonable.

(4) Stock-based Compensation

Mullen Group applied the fair value method of all stock-based or unit-based options and awards. Mullen Group follows certain weighted average assumptions that are acceptable under GAAP to determine the fair value of these options on the date of grant. In 2009, Mullen Group recorded stock-based compensation expense of $1.0 million.

Financial Instruments

At December 31, 2009, Mullen Group's financial assets and liabilities consisted primarily of accounts receivable, accounts payable and long-term debt. Mullen Group is exposed to certain credit, liquidity, and market risks associated with its financial assets and liabilities. Management has established certain policies and procedures with which it follows to mitigate this risk and continually monitors Mullen Group's exposure to all significant risks to assess the impact on its operating activities. Mullen Group does not hold or use any derivative instruments for trading or speculative purposes.

Credit Risk

Credit risk is the risk of financial loss to Mullen Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Mullen Group's receivables from customers and investment securities.

Mullen Group's main exposure to credit risk relates to the $151.1 million of accounts receivable outstanding at December 31, 2009. No customer accounted for more than ten percent of Mullen Group's revenue in 2009. Management has established a credit policy under which new customers are analyzed for creditworthiness before Mullen Group extends credit. Mullen Group monitors its accounts receivable aging on an ongoing basis as part of its process in managing its credit risk. Mullen Group establishes, on a specific account basis, an allowance for doubtful accounts that represent its estimate of potential losses in respect of trade and other receivables. At December 31, 2009, Mullen Group's allowance for doubtful accounts totaled $2.6 million.

Liquidity Risk

Liquidity risk is the risk that Mullen Group will not be able to meet its financial obligations as they fall due. Mullen Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mullen Group's reputation. Typically, Mullen Group ensures that it has sufficient cash or available credit lines to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, excluding interest payments and the impact of any option to purchase equipment at the end of the term:

December 31, 2009	Carrying amount	Contractual cash flows	3 months or less	2010 - 2011	2012- 2013	Thereafter
Private Placement Debt	404,520	404,520	—	—	—	404,520
Debentures	116,162	116,162	—	—	—	116,162
Financing and other loans	8,121	8,121	458	2,843	4,706	114
Operating leases	29,205	29,205	2,923	15,364	6,556	4,362
Accounts payable and accrued liabilities	69,288	69,288	69,288	—	—	—
Total	627,296	627,296	72,669	18,207	11,262	525,158

Mullen Group maintains a strong liquidity position with a working capital surplus at December 31, 2009 of $275.3 million consisting mainly of $204.9 million of cash and has an unused Bank Credit Facility of $75.0 million available at December 31, 2009. Mullen Group had long-term debt at December 31, 2009 of $527.0 million, the majority of which does not begin to mature until 2016. The Capital Resources and Liquidity section noted on page 25 of this MD&A provides additional disclosure regarding Mullen Group's liquidity position.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Mullen Group's income or the value of its holdings of financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) *Currency risk*

Mullen Group has U.S. $235.0 million in Senior Guaranteed Unsecured Notes which exposes Mullen Group to foreign currency fluctuations. As a result, a $0.01 decline in the value of the CDN. dollar versus the U.S. dollar results in a $2.35 million unrealized loss on foreign exchange. Similarly, a $0.01 increase in the value of the CDN. dollar versus the U.S. dollar results in a $2.35 million unrealized gain on foreign exchange. Annual interest expense on these borrowings is U.S. $14.5 million and is also exposed to foreign currency fluctuations.

Mullen Group is exposed to currency risk on revenues, expenses, accounts receivable and accounts payable that are denominated in U.S. funds. On an annual basis, Mullen Group's business units generate more U.S. dollar revenues than U.S. dollar expenses. The surplus U.S. cash generated acts as a natural hedge against the annual interest commitment of U.S. $14.5 million.

(ii) *Interest rate risk*

Mullen Group manages its interest rate risk through a combination of fixed and floating rate borrowings. In the short-term, Mullen Group is exposed to fluctuations in floating interest rate terms on the Bank Credit Facility. In the long term, Mullen Group is susceptible to interest rate decreases as the interest rates on the majority of Mullen Group's long-term debt are fixed annual rates. The interest rate on Mullen Group's Private Placement Debt is fixed at rates ranging between 5.47 percent and 6.39 percent. The interest rate on the Debentures is fixed at an annual rate of 10.0 percent.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, Mullen Group adopted the CICA Handbook, Section 3064, Goodwill and Intangible Assets. This section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Mullen Group has assessed the impact of this standard and noted no impact to its reported results.

The CICA, issued amendments to Section 3862 – "Financial Instruments – Disclosures" to include enhanced disclosures related to the fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with recent amendments to financial instrument disclosures standards in IFRS. The company has included these additional disclosures in its annual consolidated financial statements for the year ending December 31, 2009.

Future Changes in Accounting Policies

International Financial Reporting Standards

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt IFRS, for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement of Mullen Group's consolidated financial statements, for comparative purposes, for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

Mullen Group began planning the transition from current GAAP to IFRS in 2008, by establishing a project plan and a project team. The project team is led by senior finance members that provide overall project governance, management and support. Members also include representatives from various areas of the organization as necessary and external advisors that have been engaged to assist in the IFRS conversion project. The team reports quarterly to the Audit Committee of Mullen Group.

The project plan consists of three phases: the initial assessment, detailed assessment and design, and implementation. Mullen Group has completed the initial assessment phase which included the development of a detailed timeline, the completion of a high level review of the major differences between current GAAP and IFRS, and an initial evaluation of IFRS 1 transition exemptions. The initial assessment also included education and training sessions for project team members and discussions with Mullen Group's external auditors and advisors.

Mullen Group is engaged in the detailed assessment and design phase. The detailed assessment and design phase involves completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment phase.

During the implementation phase, Mullen Group will implement the identified changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting. Mullen Group has identified and made certain changes to business processes and financial systems to assist in the transition to IFRS reporting standards.

Mullen Group has identified two fundamental financial reporting differences between IFRS and GAAP. These two differences may result in significant adjustments to the Corporation's consolidated financial statements upon conversion.

The first fundamental difference impacting the Mullen Group relates to how goodwill is tested for impairment. Under GAAP, goodwill is tested for impairment by comparing the carrying value of goodwill at the operating segment level compared to its fair value. At Mullen Group, the operating segment level consists of the Trucking/Logistics segment and the Oilfield Services segment. If the carrying value in either the Trucking/Logistics segment or the Oilfield Services segment is greater than its corresponding fair value, an impairment loss is recognized in the segment to the extent that the carrying amount of goodwill exceeds its fair value. Under IFRS, goodwill is tested for impairment at the cash generating unit level. The cash generating units at Mullen Group are the business units that make up the operating segments. If the carrying value of goodwill at each business unit exceeds its carrying value, under IFRS, an impairment loss is recognized in the business unit. For this reason Mullen Group expects to record a write-down of goodwill upon conversion to IFRS and is currently in the process of evaluating goodwill in each business unit. The majority of the expected goodwill write-down will occur within the Oilfield Services segment and predominately relates to the goodwill recorded on the acquisition of Producers Oilfield Services Inc. in 2006.

The second fundamental difference impacting the Mullen Group relates to the IFRS 1 option to use fair value as deemed cost for land upon conversion to IFRS. Mullen Group believes the fair value of its land materially exceeds its carrying value and has elected to apply the IFRS 1 option to use fair value as deemed cost for land only. As a result, Mullen Group will be adjusting the carrying value of its land to its fair value. Mullen Group is in the process of having independent appraisals performed on certain parcels of land where it believes the carrying value is significantly less than its fair value. Other than adjusting land to its fair value, Mullen Group does not anticipate any other significant changes to its current accounting policies with respect to property, plant and equipment. IFRS and GAAP contain the same basic principles of accounting for property, plant and equipment.

At this time, the impact of these two fundamental financial reporting differences on Mullen Group's future consolidated financial statements, financial position and results of operations is not reasonably determinable or estimable.

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces Section 1581. Section 1582 is effective January 1, 2011 and harmonizes the Canadian standards with IFRS. Mullen Group intends to adopt Section 1582 effective January 1, 2010 to harmonize Mullen Group's December 31, 2010 consolidated financial statements with IFRS for comparative purposes to avoid a restatement upon conversion to IFRS. Under Section 1582, when an acquirer issues common shares as consideration in a business combination, the value attributed to the common shares is based upon the market price of the common shares at the closing date of the acquisition. In addition, Section 1582 generally requires all acquisition costs to be expensed immediately after closing whereas current standards allow for the capitalization of these costs as part of the purchase price.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO"), the Co-Chief Executive Officer ("Co-CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and internal controls over financial reporting as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. As of December 31, 2009, the CEO, the Co-CEO and the CFO together with Mullen Group's management have evaluated the design and effectiveness of Mullen Group's disclosure controls and procedures ("DC&P") and have concluded that they are not effective due to the weaknesses in internal control over financial reporting discussed below. Our DC&P have been designed to provide reasonable assurance that material information relating to Mullen Group is made known to the CEO, the Co-CEO and the CFO by others and that information required to be disclosed by Mullen Group in its annual filings, interim filings or other reports filed or submitted by Mullen Group under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

Management has also designed internal controls over financial reporting and has conducted an evaluation of those controls.

Mullen Group, due to its corporate structure, decentralized operations and strategy of growth through acquisition, does have weaknesses in its internal control over financial reporting. As a result, Mullen Group's management has concluded that internal controls over financial reporting are not effective. These weaknesses include:

- in certain business units there is a weakness in regards to segregation of duties.
- the complex structure of Mullen Group and its decentralized operations raises a risk of misstatements due to the handling of complex and non-routine accounting and tax related transactions. Management and board reviews are utilized to mitigate these risks but there is no guarantee that a material misstatement would be prevented.

Because of their inherent limitations, DC&P and internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP TERMS

The audited annual consolidated financial statements attached to and referred to in this MD&A are prepared according to GAAP. References to operating income, funds from operations and funds from operations per share are not measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these indicators should not replace net income or cash flow from operating activities as indicators of GAAP performance.

Operating Income

Operating income is defined as net income before interest, income taxes, depreciation on property, plant and equipment, amortization on intangible assets, earnings or losses from equity investments, unrealized gains or losses on foreign exchange and investments, and gains or losses on sale of property, plant and equipment and investments. Management relies on operating income as a measurement as it provides an indication of the results generated by Mullen Group's principal business activities and the performance of its operations prior to depreciation and amortization, financing, or taxation in various jurisdictions. Net income is also an indicator of financial performance; however, net income includes expenses that are not a direct result of Mullen Group's operations.

Reconciliation of Net Income to Operating Income

(unaudited)	Three month period ended December 31		Years ended December 31	
($ millions)	2009	2008	2009	2008
	$	$	**$**	$
Net income	**11.1**	7.1	**90.8**	113.0
Add (less):				
Earnings from equity investments	—	(2.2)	**(0.1)**	(6.3)
Provision for income taxes	**2.1**	5.0	**20.8**	4.3
Loss (gain) on sale of property, plant and equipment	**5.4**	1.6	**5.1**	(1.0)
Unrealized (gain) loss on foreign exchange	**(4.7)**	37.6	**(40.0)**	49.3
Unrealized (gain) loss on investments	**(0.8)**	2.1	**(1.4)**	6.8
Interest and accretion expense	**9.9**	8.3	**36.2**	28.1
Depreciation on property, plant and equipment	**16.0**	17.0	**61.6**	62.3
Amortization on intangible assets	**4.7**	4.7	**18.6**	16.8
Operating income	**43.7**	81.2	**191.6**	273.3

Funds from Operations

Funds from operations is defined as cash flow from operating activities before changes in non-cash working capital items. Management uses funds from operations as an indication of Mullen's ability to generate funds from its operations without the seasonality effect on its working capital.

Reconciliation of Funds from Operations to Cash Flow from Operating Activities

(unaudited)	Three month period ended December 31		Years ended December 31	
($ millions)	2009	2008	2009	2008
	$	$	$	$
Funds from operations	**33.5**	72.0	**121.0**	246.2
Changes in non-cash working capital items	**(0.9)**	(2.9)	**91.2**	(42.4)
Cash flow from operating activities	**32.6**	69.1	**212.2**	203.8

Funds from Operations per Share

Funds from operations per share is calculated by dividing funds from operations by the weighted average number of shares outstanding for the period. Management uses funds from operations per share as a measure to determine funds generated from its operations on a per share basis for the period without the effect of seasonality on its working capital.

Calculation of Funds from Operations per Share

(unaudited)	Three month period ended December 31		Years ended December 31	
($ millions, except share and per share amounts)	2009	2008	2009	2008
	$	$	$	$
Funds from operations	**33.5**	72.0	**121.0**	246.2
Weighted average number of shares outstanding	**80,605,000**	80,605,000	**80,605,000**	80,492,000
Funds from operations per share	**$0.41**	$0.89	**$1.50**	$3.06

OUTLOOK

2009 was a very difficult and challenging year. Economic activity, capital investment, as well as oil and natural gas drilling activity all were negatively impacted by the near collapse of the financial markets. In spite of all of this the Mullen Group remained profitable, a testament to the diversification of our business model.

For 2010 we are optimistic that the worst is now behind us. The financial markets appear to have been stabilized. There is ample evidence to suggest that economic activity is rebounding and commodity prices have firmed. All of these are positive indicators and we believe they will be positive for the Mullen Group. However, we also are of the opinion that activity levels will remain well below those of 2008 and as such we expect the markets we serve to remain competitive and challenging for most of 2010.

With the restructuring initiatives substantially complete we are now clearly focused on returning to a growth oriented company once again. We have a strong balance sheet and are well positioned to deploy our cash in areas that exhibit growth prospects, including corporate acquisitions.

This MD&A contains information as of February 24, 2010.

SEVEN YEAR SELECTED FINANCIAL DATA

Years ended December 31 ($ thousands, unaudited)	2009	2008	2007	2006	2005	2004	(restated)* 2003
Revenue	$ 978,046	$ 1,314,224	$ 1,119,499	$ 1,003,287	$ 591,728	$ 470,860	$ 421,504
Expenses							
Direct operating expenses	662,522	884,911	764,992	682,132	411,893	328,853	305,060
Selling and administrative expenses	123,906	155,987	145,377	119,090	67,118	49,932	45,294
	191,618	273,326	209,130	202,065	112,717	92,075	71,150
Depreciation and amortization	80,184	79,103	74,445	52,635	22,490	19,871	17,819
Interest and accretion expense	36,163	28,146	21,164	13,612	1,919	2,022	1,890
Unrealized (gain) loss on foreign exchange	(39,950)	49,314	(26,641)	7,500	—	—	—
Unrealized (gain) loss on investments	(1,381)	6,760	—	—	—	—	—
Loss (gain) on sale of property, plant and equipment	5,056	(1,031)	725	(1,256)	(214)	749	(92)
Gain on sale of investments	—	—	(30)	(115)	—	—	(304)
Impairment of goodwill and intangible assets	—	—	275,000	—	—	—	—
Income (loss) before income taxes and earnings from equity investments	111,546	111,034	(135,533)	129,689	88,522	69,433	51,837
Provision for income taxes							
Current (recovery)	36,465	1,814	(2,390)	(4,311)	14,017	22,041	18,229
Future (recovery)	(15,607)	2,502	(10,850)	6,866	4,933	1,735	1,520
	20,858	4,316	(13,240)	2,555	18,950	23,776	19,749
Income (loss) before earnings from equity investments	90,688	106,718	(122,293)	127,134	69,572	45,657	32,088
Earnings from equity investments	122	6,283	3,598	998	391	820	332
Net income (loss)	90,810	113,001	(118,695)	128,132	69,963	46,477	32,420

*2003 figures have been restated to account for stock-based compensation.

Years ended December 31	2009	2008	2007[1]	2006	2005	2004	(restated)* 2003
Ratios - Operating							
Return on equity	8.0%	10.1%	10.6%	14.6%	23.5%	18.9%	15.5%
Gross margin - percent of revenue	32.3%	32.7%	31.7%	32.0%	30.4%	30.2%	27.6%
Selling and administrative expenses - percent of revenue	12.7%	11.9%	13.0%	11.9%	11.3%	10.6%	10.7%
Operating ratio	89.0%	85.7%	88.0%	85.0%	84.7%	84.8%	87.3%
Financial Position ($ thousands except acid test and debt-to-equity ratio)							
Acid test	3.04:1	1.93:1	2.27:1	1.48:1	1.35:1	1.39:1	1.57:1
Net property, plant and equipment	$ 613,281	$ 663,088	$ 586,823	$ 558,522	$ 218,357	$ 189,436	$ 187,801
Total assets	$ 1,926,887	$ 1,882,077	$ 1,770,490	$ 2,021,245	$ 508,619	$ 400,709	$ 381,643
Long-term debt (including current portion)	$ 528,803	$ 521,445	$ 402,409	$ 346,736	$ 51,534	$ 39,176	$ 73,584
Shareholders' equity	$ 1,167,231	$ 1,106,936	$ 1,132,132	$ 1,424,066	$ 327,872	$ 267,975	$ 224,333
Debt-to-equity ratio	0.45:1	0.47:1	0.36:1	0.24:1	0.22:1	0.15:1	0.33:1
Funds from operations	$ 120,983	$ 246,148	$ 193,783	$ 195,345	$ 100,771	$ 69,967	$ 52,116
Share Data**							
Funds from operations per share	$ 1.50	$ 3.06	$ 2.38	$ 2.84	$ 2.18	$ 1.55	$ 1.17
Book value per share	$ 14.48	$ 13.73	$ 17.34	$ 17.38	$ 6.94	$ 5.93	$ 5.02
Earnings per share	$ 1.13	$ 1.40	$ 1.83	$ 1.86	$ 1.51	$ 1.03	$ 0.73
Price/earnings ratio	14.5	9.1	9.6	10.0	21.6	16.1	18.1
Weighted number of shares outstanding (thousands)	80,605	80,492	81,596	68,886	46,261	45,024	44,558
Total shares outstanding (thousands)	80,605	80,605	80,744	81,490	47,256	45,186	44,721

*2003 figures have been restated to account for stock-based compensation.

**Share data has been restated to reflect the exchange of Mullen Transportation Inc. shares for Mullen Group Income Fund units on a one-for-three basis.

(1) 2007 operating ratios and share data are calculated before the effect of the impairment of goodwill and intangible assets.

Notes:

1. Return on equity was calculated by dividing net income by average shareholders' equity.
2. Gross margin was calculated by dividing sales less direct operating costs by sales.
3. Operating ratio was calculated by dividing the total cost before taxes, interest and unrealized gains and losses on foreign exchange, as a percentage of revenue.
4. Acid test ratio was calculated by dividing cash plus receivables by current liabilities.
5. Debt-to-equity ratio was calculated by dividing total debt by shareholders' equity.
6. Funds from operations was calculated as funds from operations before the effect of changes in non-cash working capital items.
7. Funds from operations per share was calculated by dividing funds from operations by weighted average number of shares outstanding.
8. Book value per share was calculated by dividing shareholders' equity by the number of shares outstanding.
9. Earnings per share was calculated by dividing net income by the weighted average number of shares outstanding.
10. Price/earnings ratio was calculated by dividing year-end closing price by earnings per share.

Mullen Group Ltd.

2009

CONSOLIDATED FINANCIAL STATEMENTS

AND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying consolidated financial statements of Mullen Group Ltd. ("Mullen Group" and/or the "Corporation") have been approved by the Board of Directors and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial information contained elsewhere in this report has been reviewed to ensure consistency with these consolidated financial statements. In preparing the report, Mullen Group undertakes steps to ensure the information presented is accurate and conforms to applicable laws and standards, including:

- The Board of Directors and management have established corporate governance practices that are consistent with guidelines set out in the report issued by The Toronto Stock Exchange Committee on Corporate Governance in Canada.
- Management maintains accounting control systems designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, financial records are accurately maintained and statements are generated in a timely manner.
- The Board of Directors oversees the management of the business and the affairs for Mullen Group including ensuring management fulfills its responsibility for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.
- The Audit Committee of the Board of Directors, comprised of five members considered to be "outside and unrelated" directors, has reviewed the consolidated financial statements with management and the external auditors.
- Management, with the participation of the Chief Executive Officer ("CEO"), the Co-Chief Executive Officer ("Co-CEO") and the Chief Financial Officer ("CFO"), has evaluated the effectiveness of Mullen Group's disclosure controls and procedures and has evaluated the design and effectiveness of internal controls over financial reporting and have concluded that they are not effective due to weaknesses in internal control over financial reporting. These weaknesses are due to the complexity of accounting and income tax issues and with control weaknesses related to segregation of duties. The CEO, the Co-CEO and the CFO have concluded, as of the date hereof, that Mullen Group's internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.
- An independent firm of chartered accountants, appointed as external auditors by the shareholders, has audited the consolidated financial statements and its report is included herein.

Murray K. Mullen
Chairman, Chief Executive Officer and Director

David E. Olson
Vice-President, Finance and
Chief Financial Officer

February 24, 2010

AUDITORS' REPORT TO THE SHAREHOLDERS

KPMG

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Mullen Group Ltd. as at December 31, 2009 and 2008 and the consolidated statements of income and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

February 24, 2010

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008 *($ thousands)*	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ **204,899**	$ 291
Accounts receivable	**151,049**	245,294
Inventory	**22,505**	22,980
Prepaid expenses	**7,922**	10,999
Investments (note 3)	**6,101**	3,344
	392,476	282,908
Investment (note 3)	**—**	1,510
Property, plant and equipment (note 4)	**613,281**	663,088
Goodwill (note 5)	**846,441**	844,420
Intangible assets (note 6)	**72,406**	89,081
Other assets (note 7)	**2,283**	1,070
	$ **1,926,887**	$ 1,882,077
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ **69,288**	$ 109,946
Distributions payable (note 8)	**—**	12,091
Dividends payable (note 8)	**10,076**	—
Income tax payable	**36,044**	1,635
Current portion of long-term debt (note 9)	**1,830**	3,438
	117,238	127,110
Long-term debt (note 9)	**410,811**	518,007
Convertible debentures – debt component (note 10)	**116,162**	—
Future income taxes (note 12)	**115,445**	130,024
Shareholders' equity:		
Shareholders' capital (note 13)	**1,185,821**	1,185,821
Convertible debentures – equity component (note 10)	**7,200**	—
Contributed surplus (note 15)	**8,103**	7,530
Deficit	**(33,893)**	(86,415)
	1,167,231	1,106,936
	$ **1,926,887**	$ 1,882,077

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Murray K. Mullen, Director

Dennis J. Hoffman, Director

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

Years ended December 31, 2009 and 2008 *($ thousands, except per share amounts)*		2009		2008
Revenue	$	**978,046**	$	1,314,224
Direct operating expenses		**662,522**		884,911
Selling and administrative expenses		**123,906**		155,987
Depreciation on property, plant and equipment		**61,576**		62,285
Amortization on intangible assets		**18,608**		16,818
Interest and accretion expense		**36,163**		28,146
Unrealized (gain) loss on foreign exchange		**(39,950)**		49,314
Unrealized (gain) loss on investments		**(1,381)**		6,760
Loss (gain) on sale of property, plant and equipment		**5,056**		(1,031)
Income before income taxes and earnings from equity investments		**111,546**		111,034
Provision for income taxes (note 12):				
Current		**36,465**		1,814
Future (recovery)		**(15,607)**		2,502
		20,858		4,316
Income before earnings from equity investments		**90,688**		106,718
Earnings from equity investments		**122**		6,283
Net income and other comprehensive income	$	**90,810**	$	113,001
Deficit, beginning of year	$	**(86,415)**	$	(54,601)
Cash distributions declared to unitholders		**(18,136)**		(144,815)
Cash dividends declared to shareholders		**(20,152)**		—
Deficit, end of year	$	**(33,893)**	$	(86,415)
Earnings per share (note 16):				
Basic	$	**1.13**	$	1.40
Diluted	$	**1.10**	$	1.40
Weighted average number of shares outstanding (note 16):				
Basic		**80,605**		80,492
Diluted		**88,421**		80,492

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008 *($ thousands)*	2009	2008
Cash provided by (used in):		
Operations:		
Net income	$ **90,810**	$ 113,001
Items not involving cash:		
Depreciation on property, plant and equipment	**61,576**	62,285
Amortization on intangible assets	**18,608**	16,818
Stock-based compensation	**946**	2,782
Amortization of debt issuance costs	**520**	—
Unrealized (gain) loss on foreign exchange	**(39,950)**	49,314
Accretion on convertible debentures	**527**	—
Unrealized (gain) loss on investments	**(1,381)**	6,760
Loss (gain) on sale of property, plant and equipment	**5,056**	(1,031)
Future income taxes (recovery)	**(15,607)**	2,502
Earnings from equity investments	**(122)**	(6,283)
	120,983	246,148
Changes in non-cash working capital items	**91,219**	(42,383)
	212,202	203,765
Financing activities:		
Proceeds of convertible debentures	**125,000**	—
Proceeds of long-term debt	—	85,681
Debt issuance costs	**(3,036)**	—
Repayment of long-term debt	**(70,262)**	(23,260)
Net proceeds from share issuances	—	1,366
Dividends paid to shareholders	**(10,076)**	—
Distributions paid to unitholders	**(30,227)**	(144,836)
	11,399	(81,049)
Investing activities:		
Acquisitions (note 2)	**(5,337)**	(147,936)
Cash distributions from equity investment	—	4,853
Property, plant and equipment additions	**(28,307)**	(79,982)
Proceeds on sale of property, plant and equipment	**16,237**	21,746
Proceeds on sale of equity investment	—	549
Purchase of equity investment	—	(1,225)
Other assets	**(1,586)**	415
	(18,993)	(201,580)
Change in cash	**204,608**	(78,864)
Cash, beginning of year	**291**	79,155
Cash, end of year	$ **204,899**	$ 291
Supplemental cash flow information:		
Interest paid	$ **36,376**	$ 28,513
Income taxes paid (received)	$ **2,056**	$ (1,167)

See accompanying notes to the consolidated financial statements

1. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

(a) Continuity of Interests

On May 1, 2009, the holders of trust units ("Units") of Mullen Group Income Fund (the "Fund") and holders of Class B limited partnership units ("MCLP B Units") of Mullen Co. Limited Partnership (collectively, "Securityholders") approved a Plan of Arrangement (the "Arrangement") that resulted in the conversion of the Fund from an open-ended income trust to a corporation called Mullen Group Ltd. ("Mullen Group" and/or the "Corporation"). Pursuant to the Arrangement, Securityholders received one common share of Mullen Group in exchange for each Unit or MCLP B Unit held. Mullen Group as the successor in interest to the Fund will be accounted for as a continuity of interest. As a result, the consolidated financial statements of Mullen Group for the year ended December 31, 2009 and comparables for the year ended December 31, 2008 will reflect the financial position, results of operations and cash flows as if Mullen Group had always carried on the business formerly carried on by the Fund. References made to distributions payable, cash distributions declared to unitholders and cash distributions paid to unitholders reflect business of the Fund that occurred prior to conversion from an open-ended income trust to Mullen Group.

(b) Basis of Presentation

Mullen Group is a publicly traded company. The business of Mullen Group is held in wholly-owned subsidiaries and limited partnerships. The business of Mullen Group is a diversified transportation and oilfield service organization with its activities divided into two distinct business segments; Oilfield Services and Trucking/Logistics.

Mullen Group was incorporated on March 12, 2009 and commenced operations on May 1, 2009 as a result of the completion of the Arrangement on May 1, 2009 under the Business Corporations Act (Alberta) involving, among others, Mullen Group, the Fund, Mullen Group Inc., MT Investments Inc. ("MT"), Mullen Co. Limited Partnership ("MCLP"), Mullen Holding Trust, Mullen Holding Co. Ltd., MTI Holding Co. Ltd, 1454593 Alberta Ltd., CIBC Mellon Trust Company (as voting and exchange Trustee), the holders of senior notes of MT and Securityholders of the Fund and MCLP. Pursuant to the Arrangement, among other things, all of the issued and outstanding Units of the Fund and MCLP B Units became common shares of Mullen Group and all of the subsidiaries (whether directly or indirectly owned) and operating businesses of the Fund became subsidiaries and operating businesses of Mullen Group. Mullen Group is a publicly-traded company listed on the Toronto Stock Exchange under the symbol "MTL".

The consolidated financial statements include the accounts of Mullen Group, its subsidiaries and its limited partnerships. The accompanying audited consolidated financial statements for Mullen Group have been prepared in accordance with GAAP for consolidated financial statements.

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

(c) Changes in Accounting Policies

Effective January 1, 2009, Mullen Group adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook, Section 3064, Goodwill and Intangible Assets. This section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Mullen Group has assessed the impact of this standard and noted no impact to its reported results.

(Tabular amounts in thousands, except share and per share amounts)

1. Significant Accounting Policies, (continued)

The CICA, issued amendments to Section 3862 – "Financial Instruments – Disclosures" to include enhanced disclosures related to the fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with recent amendments to financial instrument disclosures standards in International Financial Reporting Standards ("IFRS"). The company has included these additional disclosures in its annual consolidated financial statements for the year ending December 31, 2009.

International Financial Reporting Standards

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt IFRS, for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement of Mullen Group's consolidated financial statements, for comparative purposes, for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

(d) Investments

Investments in affiliates over which Mullen Group has significant influence are accounted for using the equity method. If management determines there is a permanent decline in the value of its equity investments, the investments are written down to net realizable value. Investments in which Mullen Group has no significant influence are accounted for using the held for trading method and are carried at their fair value.

(e) Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost. Depreciation on additions and disposals is prorated from the month of purchase or disposal. Depreciation is provided annually over the estimated useful lives of the assets on the declining balance basis at the following rates:

Assets	Rate
Buildings	2.5 - 8%
Trucks and trailers	10 - 20%
Equipment, furniture and fixtures	20%
Automobiles, computer equipment and computer software	30 - 50%
Satellite communications equipment	20%

Drilling rigs are depreciated by the unit-of-production method based on 1,500 operating days with a 20 percent residual value.

(f) Intangible assets and amortization

Intangible assets are acquired as part of acquisitions and are mainly comprised of non-competition agreements and customer relationships' values which are amortized over their estimated life on a straight line basis over a period of five to ten years. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is not recoverable and exceeds its estimated fair value.

1. Significant Accounting Policies, (continued)

(g) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values at the date the business is acquired.

Goodwill is not amortized, but is tested for permanent impairment annually at December 31 or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared with its fair value. When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting segment exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting segment as if it was the purchase price. When the carrying amount of a reporting segment's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(h) Revenue recognition

Mullen Group's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision for post-service obligations. Revenue is recognized when services are rendered and when collectability is reasonably assured.

(i) Income taxes

Mullen Group and its subsidiaries follow the asset and liability method of accounting for future income taxes. Future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the period in which the change occurs.

(j) Stock-based compensation plan

Mullen Group has a stock-based compensation plan, which is described in note 13 and 14. Mullen Group utilizes the fair value method to account for options. Under the fair value method, the fair value of options is calculated at the date of grant and that value is recorded as compensation expense over the vesting periods of those grants, with a corresponding increase to contributed surplus. When options are exercised, the proceeds received by Mullen Group, along with the amount in contributed surplus, will be credited to shareholders' capital.

(k) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated using the 'if converted' method (see note 16) for Debentures (as hereafter defined in note 10) which assumes the Debentures are converted into common shares on the date of issuance. Diluted per share amounts are also calculated based on the treasury stock method for stock options which assumes that any proceeds obtained on the exercise of stock options would be used to purchase common shares at the average market price during the year. The weighted average number of shares outstanding is then adjusted by the net change.

(Tabular amounts in thousands, except share and per share amounts)

1. Significant Accounting Policies, (continued)

(l) Cash and cash equivalents

Cash and cash equivalents are restricted to cash and highly liquid investments having an initial term of three months or less and are presented at cost which approximates fair value.

(m) Financial Instruments

All financial instruments, including all derivatives, are recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held for trading are measured at amortized cost determined using the effective interest rate method. Held for trading financial assets are measured at fair value with changes in fair value recognized in income. The Corporation has the following classifications:

Financial Assets and Liabilities	Category
Accounts receivable	Loans and receivables
Investments	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Convertible debentures	Other liabilities

Transaction costs associated with financial liabilities are recognized against its carrying value and are being amortized over the term of the financial liabilities.

Financial instruments measured at fair value on the balance sheet require classification into one of the following levels of the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The Corporation has categorized its financial instruments that are fair valued on the balance sheet according to the fair value hierarchy (note 20).

2. Acquisitions

(a) 2009 Acquisitions

On January 31, 2008, the Fund acquired a 50.0 percent interest in Durango Oilfield Services Ltd. ("Durango"), an oilfield fluid transportation company operating in Hudson's Hope, British Columbia. On August 6, 2009, Mullen Group acquired the remaining 50.0 percent of all the issued and outstanding shares of Durango for consideration of $3.7 million. Mullen Group has included in its 2009 net income $0.1 million of earnings from this equity investment (2008 - $0.2 million). Since August 6, 2009, results of operations have been included in the Oilfield Services segment.

On August 18, 2009, Mullen Group acquired certain assets and the business of Blackwater Oil & Gas Co. Ltd. and Blackwater Construction Co. Ltd. (collectively, "Blackwater"), an oilfield transportation business operating in Tumbler Ridge, British Columbia.

(Tabular amounts in thousands, except share and per share amounts)

2. Acquisitions, (continued)

On October 31, 2009, Mullen Group acquired certain assets and the business of Coledan Carriers Ltd., a dry bulk transportation services company operating out of Entwistle, Alberta. The results of operations have been included in the Trucking/Logistics segment under Cascade Carriers L.P.

The acquisitions have been accounted for by the purchase method, and results of operations have been included in these consolidated financial statements from the date of acquisition. Details of the acquisitions are summarized as follows:

		Total
Assets:		
Non-cash working capital items	$	638
Property, plant and equipment		4,755
Intangible assets		1,933
Goodwill(1)		2,021
		9,347
Assumed liabilities:		
Long-term debt		1,759
Future income taxes		1,028
		2,787
Net assets before cash position		6,560
Cash position		409
Net assets	$	6,969
Consideration:		
Cash	$	5,337
Investment accounted for by the equity method		1,510
Earnings from equity investment		122
	$	6,969

(1) Of the $2.0 million of goodwill recognized in 2009, $1.0 million related to the additional cash consideration which resulted from acquisition of R.E. Line Trucking (Coleville) Ltd. and David Tuffs Holdings Ltd. (collectively, "R.E. Line") which is described in note 2(b).

(b) 2008 Acquisitions

On April 30, 2008 (the "Closing Date"), the Fund acquired R.E. Line; an oilfield transportation company focused on the hauling of crude oil and produced water out of Coleville, Saskatchewan. Pursuant to the provisions of the R.E. Line Share Purchase and Sale Agreement, the vendor may receive additional cash consideration of up to $2.0 million for exceeding certain financial targets over a two year period from the Closing Date. For each twelve month period following the Closing Date, the vendor is entitled to receive additional cash consideration of up to $1.0 million for achieving certain financial targets. The first year's financial target was achieved and Mullen Group paid $1.0 million of additional cash consideration.

(Tabular amounts in thousands, except share and per share amounts)

2. Acquisitions, (continued)

On July 2, 2008, the Fund acquired the assets and business of Essential Energy Services Trust's transport division ("Essential") which included its fluid hauling and oilfield transport business units. These business units operate through a network of facilities strategically located in areas known for drilling activity and range from northeastern British Columbia and northern Alberta into central/southern Alberta and Saskatchewan. The Fund issued 46,757 Units and MCLP issued 124,238 MCLP B Units by way of private placement as part of the consideration of this acquisition. The fair value attributed to these 170,995 units was $3.9 million and was determined using the closing price of Mullen's trust units on July 2, 2008 which was $22.54 per unit. Essential's results from operations are included in the Oilfield Services segment.

On December 15, 2008, the Fund indirectly acquired certain assets and the business of 479215 Alberta Ltd. operating as M&L Trucking ("M&L Trucking"); an oilfield transportation company focused on the hauling of crude oil and produced water in Altario, Alberta. M&L Trucking's results from operations are included in the Oilfield Services segment.

These acquisitions have been accounted for by the purchase method, and results of operations have been included in these consolidated financial statements from the date of acquisition. Details of the acquisitions are as follows:

	Essential	R.E. Line	M&L Trucking	Total
Assets:				
Non-cash working capital items	$ 1,514	$ 2,270	$ —	$ 3,784
Property, plant and equipment	75,479	3,004	800	79,283
Other assets	2,504	41	—	2,545
Intangible assets	12,515	10,630	80	23,225
Goodwill	48,099	1,873	—	49,972
	140,111	17,818	880	158,809
Assumed liabilities:				
Bank indebtedness	—	288	—	288
Long-term debt	1,137	1,429	—	2,566
Future income taxes	848	3,317	—	4,165
	1,985	5,034	—	7,019
Net assets	138,126	12,784	880	151,790
Consideration:				
Cash	134,272	12,784	880	147,936
Trust Units (46,757)	1,054	—	—	1,054
B Units (124,238)	2,800	—	—	2,800
	$ 138,126	$ 12,784	$ 880	$ 151,790

3. Investments

	2009	2008
Investments - held for trading	$ **6,101**	$ 3,344
Investment accounted for by the equity method	—	1,510
	$ **6,101**	$ 4,854

(Tabular amounts in thousands, except share and per share amounts)

4. Property, Plant and Equipment

2009	**Cost**	**Accumulated depreciation**	**Net book value**
Land	$ 69,052	$ —	$ 69,052
Buildings	128,865	18,091	110,774
Drilling equipment	30,651	6,037	24,614
Trucks and trailers	497,424	168,290	329,134
Equipment, furniture and fixtures	137,097	68,524	68,573
Automobiles, computer equipment and computer software	29,816	21,765	8,051
Satellite communications equipment	9,149	6,066	3,083
	$ 902,054	**$ 288,773**	**$ 613,281**

2008	Cost	Accumulated depreciation	Net book value
Land	$ 74,878	$ —	$ 74,878
Buildings	119,887	14,805	105,082
Drilling equipment	30,651	5,772	24,879
Trucks and trailers	506,693	141,394	365,299
Equipment, furniture and fixtures	134,081	54,786	79,295
Automobiles, computer equipment and computer software	31,858	21,306	10,552
Satellite communications equipment	8,375	5,272	3,103
	$ 906,423	$ 243,335	$ 663,088

Property, plant and equipment include equipment under capital leases which are recorded at cost, totaling $4.6 million (2008 - $6.4 million), less accumulated depreciation of $1.7 million (2008 - $1.4 million).

5. Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is not amortized and is subject to an annual impairment test, or more frequently if events or changes in circumstances indicate the net asset might be impaired.

At December 31, 2009 and 2008, Mullen Group performed its annual impairment test for goodwill and concluded that there was no impairment of goodwill in either of Mullen Group's reportable segments. The fair value of goodwill calculated at December 31, 2009 exceeded both the $772.9 million (2008 - $770.9 million) carrying amount in the Oilfield Services segment, and the $73.5 million (2008 - $73.5 million) carrying amount in the Trucking/Logistics segment.

(Tabular amounts in thousands, except share and per share amounts)

6. Intangible Assets

	2009	2008
Intangible assets - cost	$ **162,968**	$ 161,035
Less accumulated amortization	**90,562**	71,954
	$ **72,406**	$ 89,081

Intangible assets are mainly comprised of customer relationships and non-competition agreements and are amortized over their estimated life. At December 31, 2009, intangible assets were not tested for impairment as no events or circumstances arose that indicated that the carrying amount was not recoverable. At December 31, 2008, Mullen Group performed an impairment test on intangible assets and concluded that there was no impairment loss at any of Mullen Group's business units. The fair value of intangible assets exceeded their carrying values.

7. Other Assets

Other assets are comprised of deferred compensation, amounts due from related parties and other as follows:

	2009	2008
Deferred compensation	$ **13**	$ 386
Cash payment to close a 2010 acquisition	**1,800**	—
Other	**470**	684
	$ **2,283**	$ 1,070

The deferred compensation asset arose from the unearned stock-based compensation resulting from the exchange of stock options for Trust Unit options as part of an acquisition that closed in 2006.

8. Distributions and Dividends Payable

Prior to conversion to a corporation on May 1, 2009, the Fund made monthly cash distributions to its unitholders. In 2009, the Fund declared $18.1 million in cash distributions to unitholders while cash distributions paid were $30.2 million. Prior to conversion to a corporation, the Fund ceased cash distributions to its unitholders. On September 11, 2009, Mullen Group declared a $10.1 million cash dividend to its shareholders which was paid on October 15, 2009. On December 16, 2009, Mullen Group declared a $10.1 million cash dividend to its shareholders to be paid on January 15, 2010. The determination of the amount of cash dividends was at the sole discretion of the Board of Directors of Mullen Group and was based on certain criteria including financial performance as well as the liquidity and capital resource position of Mullen Group.

In 2008, the Fund declared distributions of $1.80 per unit during the year ended December 31, 2008. Total distributions paid were $144.8 million. Distributions payable is comprised of $12.1 million distributions declared of $0.15 per unit for holders of record on December 31, 2008.

(Tabular amounts in thousands, except share and per share amounts)

9. Long-Term Debt

	2009	2008
$150.0 million Facility (a)	$ —	$ 64,240
Private Placement Debt (b) (c) (d)	404,520	444,822
Various financing loans and a mortgage with rates between 4.8 percent and 7.7 percent with monthly blended principal and interest payments not exceeding $0.3 million. These loans are secured by specific operating equipment, land and buildings	8,121	12,383
	412,641	521,445
Less current portion	1,830	3,438
	$ 410,811	$ 518,007

Aggregate principal repayments of long-term debt are as follows:	2009
2010	$ 1,830
2011	1,471
2012	3,957
2013	749
2014 and thereafter	404,634
	$ 412,641

(a) On May 1, 2009, in connection with the conversion from an income trust to a corporation, Mullen Group changed its corporate structure which required it to enter into a new credit facility with its lender. As a result, Mullen Group entered into a new $75.0 million three year extendible revolving unsecured credit facility ("Bank Credit Facility"). Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus a fee which varies from 1.25 percent to 2.25 percent or bankers' acceptance rates plus an acceptance fee which varies from 2.25 percent to 3.25 percent per annum based upon achieving certain financial ratios. At December 31, 2009, no amounts were drawn on this facility. This facility requires Mullen Group to be in compliance with certain covenants. At December 31, 2009, Mullen Group was in compliance with all covenants. Prior to entering into this Bank Credit Facility, the Fund had a $150.0 million extendible revolving 364-day term facility ("150.0 million Facility"). All amounts outstanding on the Fund's previous facility were repaid prior to the conversion from an income trust to a corporation.

(b) On September 5, 2007, the Fund issued Senior Guaranteed Unsecured Notes by way of private placement of U.S. $85.0 million of Series E Notes and CDN. $20.0 million of Series F Notes. Both the Series E and Series F Notes mature on September 27, 2017. The Series E and Series F Notes bear annual interest of 5.90 percent and 5.47 percent, respectively and interest is payable semi-annually.

(c) On June 29, 2006, the Fund issued Senior Guaranteed Unsecured Notes by way of private placement of U.S. $100.0 million of Series A Notes, U.S. $50.0 million of Series B Notes, CDN. $70.0 million of Series C Notes and CDN. $70.0 million of Series D Notes. The Series A and Series C Notes mature June 30, 2016 and the Series B and Series D Notes mature June 30, 2018. The Series A, Series B, Series C, and Series D Notes bear interest of 6.29 percent, 6.39 percent, 5.60 percent and 5.76 percent per annum, respectively. Interest is payable semi-annually.

(d) Mullen Group's unamortized debt issuance costs of $2.2 million related to long-term debt have been netted against its carrying value at December 31, 2009.

(e) Mullen Group has $1.7 million of Letters of Credit outstanding, which were issued to guarantee certain performance and payment obligations. These Letters of Credit reduce the amount available under the Bank Credit Facility.

(Tabular amounts in thousands, except share and per share amounts)

10. Convertible Unsecured Subordinated Debentures

On May 1, 2009, Mullen Group issued by way of private placement an aggregate principal amount of $125.0 million convertible unsecured subordinated debentures (the "Debentures") at a price of $1,000 per Debenture. The Debentures mature on July 1, 2018 and bear interest at an annual rate of 10.0 percent payable quarterly in arrears on March 31, June 30, September 30, and December 31 in each year beginning June 30, 2009. Mullen Group may elect to satisfy its interest obligation on any interest payment date by issuing and delivering, subject to regulatory approval, common shares to Debenture holders. If Mullen Group elects to pay interest by issuing and delivering common shares for any period (other than maturity), interest will be payable at 20.0 percent per annum (rather than 10.0 percent).

Each $1,000 Debenture is convertible into 93.2 common shares of Mullen Group (or a conversion price of $10.73) at any time at the option of the holders of the Debentures. Mullen Group's unamortized debt issuance costs of $2.2 million related to the Debentures have been netted against its carrying value at December 31, 2009. The equity portion of the Debentures will be reclassified to Shareholders' capital as the Debentures are converted into common shares. At December 31, 2009, no Debentures were converted into common shares of Mullen Group

On maturity, Mullen Group may, at its option, on not more than 60 days and not less than 40 days prior notice and subject to regulatory approval, elect to satisfy its obligation to repay the principal amount of the Debentures by issuing and delivering that number of freely tradeable common shares of Mullen Group, obtained by dividing the principal amount of the Debentures by 95.0 percent of the volume weighted average trading price of the common shares of Mullen Group on the TSX for the five consecutive trading days ending five trading days preceding the date of maturity.

11. Capital Disclosures

Mullen Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. Mullen Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Mullen Group may adjust the amount of dividends paid to shareholders, issue new debt, sell assets to reduce debt, or issue new shares. Mullen Group is not subject to externally imposed capital requirements.

Consistently with others in the industry, Mullen Group monitors capital on the basis of debt-to-equity. This ratio is calculated as total debt divided by shareholders' equity. Total debt is calculated as the total of current portion of long-term debt, long-term debt and Debentures. Shareholders' equity comprises of all the components of shareholders' equity (*i.e.* shareholders' capital, contributed surplus and deficit). During 2009, Mullen Group's strategy, which was unchanged from 2008, was to maintain the debt-to-equity ratio below 0.50:1. The debt-to-equity ratio calculations at December 31, 2009 and at December 31, 2008 were as follows:

		December 31, 2009		December 31, 2008
Current portion of long-term debt	$	**1,830**	$	3,438
Long-term debt		**410,811**		518,007
Debentures		**116,162**		—
Total debt	$	**528,803**	$	521,445
Shareholders' capital	$	**1,185,821**	$	1,185,821
Add convertible debentures – equity component		**7,200**		—
Add contributed surplus		**8,103**		7,530
Less deficit		**(33,893)**		(86,415)
Shareholders' equity	$	**1,167,231**	$	1,106,936
Debt-to-equity		**0.45:1**		0.47:1

(Tabular amounts in thousands, except share and per share amounts)

11. Capital Disclosures , (continued)

Mullen Group commenced a normal course issuer bid (the "Normal Course Issuer Bid") to purchase from time to time, as it considers advisable, up to 7,379,118 of its issued and outstanding common shares on the open market through the facilities of the Toronto Stock Exchange. The Normal Course Issuer Bid commenced on June 15, 2009 and will terminate on June 14, 2010, or such earlier time as the bid is completed or terminated by Mullen Group. No common shares were repurchased during 2009.

12. Income Taxes

Mullen Group and its subsidiaries follow the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on “temporary differences” (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income during the period in which the change occurs.

The provision for income taxes differs from the amounts which would be obtained by applying the expected Canadian statutory tax rates as follows:

		2009		2008
Income before income taxes and earnings from equity investments	**$**	**111,546**	$	111,034
Income tax rate		**30%**		31%
Computed expected income tax expense		**33,464**		34,421
Add (less):				
Tax related to income allocated to unitholders		**(5,320)**		(39,432)
Reduction of future tax balances due to enacted income tax rate changes		**(1,203)**		—
Non-taxable portion of unrealized (gain) loss on foreign exchange		**(5,793)**		7,281
Other		**(290)**		2,046
Provision for income taxes	**$**	**20,858**	$	4,316

On May 1, 2009, the Fund converted from an open-ended income trust to a corporation. As a result, income that had previously flowed through the trust and allocated directly to unitholders has been recorded in the Corporation under the new corporate structure.

The future income tax liability consists of the following:

		2009		2008
Liabilities:				
Property, plant and equipment	**$**	**74,393**	$	75,075
Partnership income		**27,113**		42,152
Intangible assets and other		**19,147**		14,796
		120,653		132,023
Assets:				
Loss carryforwards		**(4,967)**		(1,443)
Financing fees		**(241)**		(556)
		(5,208)		(1,999)
Future income tax liability	**$**	**115,445**	$	130,024

(Tabular amounts in thousands, except share and per share amounts)

13. Shareholders' Capital

On May 1, 2009, the Fund converted to a corporation pursuant to the Arrangement, which resulted in Securityholders receiving one common share in exchange for each Trust Unit and MCLP B Unit held.

(a) Trust Units and MCLP B Units

Trust Units: **Authorized: Unlimited Number**	# of Trust Units		Amount
Balance at December 31, 2007	60,571,982	$	816,995
Units issued on exercise of options	90,959		2,507
Units issued on exchange of MCLP B Units	1,548,943		28,284
Units issued for Essential acquisition	46,757		1,054
Units cancelled from 2007	(400,500)		(5,880)
Balance at December 31, 2008	61,858,141	$	842,960
Units issued on exchange of MCLP B Units	7,448		136
Balance at April 30, 2009	61,865,589	$	843,096
Exchanged for common shares under the Arrangement	61,865,589		843,096
Balance at May 1, 2009	—	$	—

In 2008, 90,959 Trust Units were issued on exercise of options for $2.5 million, 1,548,943 Trust Units were issued upon exchange of MCLP B Units for $28.3 million, 46,757 Trust Units were issued by way of private placement on the Essential acquisition for $1.1 million and 400,500 Trust Units were cancelled from 2007 for $5.9 million. In 2009, 7,448 Trust Units were issued upon exchange of MCLP B Units for $0.1 million.

MCLP B Units*: **Authorized: Unlimited Number**	# of MCLP B Units		Amount
Balance at December 31, 2007	20,171,862	$	368,345
Units issued for Essential acquisition	124,238		2,800
Exchanged for Trust Units	(1,548,943)		(28,284)
Balance at December 31, 2008	18,747,157	$	342,861
Exchanged for Trust Units	(7,448)		(136)
Balance at April 30, 2009	18,739,709	$	342,725
Exchanged for common shares under the Arrangement	18,739,709		342,725
Balance at May 1, 2009	—	$	—

**MCLP B Units are exchangeable for Trust Units on a one for one basis*

In 2008, 124,238 MCLP B Units were issued by way of private placement on the Essential acquisition for $2.8 million. In 2009, the number of MCLP B Units outstanding was reduced by 7,448 (2008 – 1,548,943) upon exchange for Trust Units for $0.1 million (2008 - $28.3 million).

(Tabular amounts in thousands, except share and per share amounts)

13. Shareholders' Capital, (continued)

(b) Common Shares

Common Shares Authorized: Unlimited Number	# of Common Shares		Amount
Balance at April 30, 2009	—	$	—
Issued for Trust Units under the Arrangement	61,865,589		843,096
Issued for MCLP B Units under the Arrangement	18,739,709		342,725
Balance at December 31, 2009	80,605,298	$	1,185,821

Stock-based compensation plan:	Options		Weighted average exercise price
Outstanding December 31, 2007	2,914,063	$	19.58
Granted	360,000		16.91
Exercised	(90,959)		(15.02)
Forfeited	(67,992)		(18.97)
Outstanding - December 31, 2008	3,115,112	$	19.41
Forfeited	(23,220)	$	18.84
Outstanding – May 1, 2009	3,091,892	$	19.42
Cancelled	(1,012,500)	$	19.91
Forfeited	(51,961)	$	19.04
Outstanding – December 31, 2009	2,027,431	$	19.18
Exercisable - December 31, 2009	2,027,431	$	19.18

On May 1, 2009, Mullen Group established a new Stock Option Plan (the "Plan"). Upon completion of the Arrangement, Mullen Group assumed the obligations of the Fund in respect of its 3,091,892 Trust Unit Options outstanding under its Trust Unit Option Plan. Accordingly, the 3,091,892 Trust Unit Options outstanding entitled the holder to exchange their Trust Unit Options for an equivalent number of Stock Options under the Plan to acquire common shares of Mullen Group. The total number of Stock Options available to be granted under the Plan cannot exceed 4,000,000 (excluding the Trust Unit Options). Each Stock Option will entitle the optionholder to acquire one common share of Mullen Group. Under the Plan, the exercise price of a Stock Option granted shall be as determined by the Board of Directors when the Stock Option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority, and shall be an amount at least equal to the weighted average trading price of the common shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the Stock Option.

The range of exercise prices for options outstanding at December 31, 2009 was as follows:

	Options Outstanding				Exercisable Options		
Range of Exercise Prices	Number	Weighted Average Remaining Contractual life (years)		Weighted average exercise price	Number		Weighted average exercise price
$8.34 to 9.99	11,852	5.0	$	8.34	11,852	$	8.34
$10.00 to 19.99	1,929,328	1.4		19.15	1,929,328		19.15
$20.00 to 24.85	86,251	5.0		21.34	86,251		21.34
$8.34 to 24.85	2,027,431	1.6	$	19.18	2,027,431	$	19.18

(Tabular amounts in thousands, except share and per share amounts)

14. Stock-Based Compensation

The following weighted average assumptions were used to determine the fair value of options issued under the Trust Unit Option Plan on the date of grant:

Risk-free interest rate	3.63%
Expected life	5 - 9 years
Maximum life	10 years
Expected distribution	$1.80 per Trust Unit
Expected Trust Unit price volatility	22.02

At December 31, 2009, Mullen Group had not issued any Stock Options under the Plan. On January 13, 2010, Mullen Group issued 1,175,000 Stock Options under the Plan.

15. Contributed Surplus

Mullen Group records compensation expense using the fair value method. Fair values are determined using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period as an increase to compensation expense and contributed surplus. When options are exercised, the fair value amount in contributed surplus is credited to shareholders' capital. No options were exercised in 2009.

		Amount
Balance at December 31, 2007	$	7,273
Stock-based compensation expense		2,781
Stock-based compensation related to deferred compensation		(1,384)
Stock options exercised		(1,140)
Balance at December 31, 2008	$	7,530
Stock-based compensation expense		946
Stock-based compensation related to deferred compensation		(373)
Stock options exercised		—
Balance at December 31, 2009	$	8,103

(Tabular amounts in thousands, except share and per share amounts)

16. Per Share Amounts

Basic earnings per share is calculated as Net income and other comprehensive income divided by the weighted average number of shares outstanding for the year. The weighted average number of shares outstanding for the year ended December 31, 2009 was 80,605,000 (2008 – 80,492,000).

Earnings per share - basic		December 31, 2009		December 31, 2008
Net income and other comprehensive income	$	**90,810**	$	113,001
Weighted average number of shares outstanding - basic		**80,605**		80,492
Earnings per share – basic	$	**1.13**	$	1.40

Diluted earnings per share is calculated using the 'if converted' method whereby the after tax impact of interest and accretion expense recorded on the Debentures is added to net income and other comprehensive income divided by the diluted weighted average number of shares outstanding. The diluted weighted average number of shares outstanding includes the common shares which may be issued if all Debenture holders convert their principal amount, prorated from the date of issuance plus the common shares which may be issued from the exercise of stock options using the treasury method. The weighted average number of diluted shares outstanding for the year ended December 31, 2009 was 88,421,000 (2008 – 80,492,000).

Earnings per share – diluted		December 31, 2009		December 31, 2008
Net income and other comprehensive income	$	**90,810**	$	113,001
Add:				
After tax impact of interest and accretion expense on Debentures		**6,391**		—
Net income and other comprehensive income - adjusted		**97,201**		113,001
Weighted average number of shares outstanding - diluted		**88,421**		80,492
Earnings per share – diluted	$	**1.10**	$	1.40

(Tabular amounts in thousands, except share and per share amounts)

17. Commitments and Contingencies

a) Commitments:

Mullen Group is committed to payments under operating leases for equipment and buildings to 2015 and thereafter. Annual minimum payments required subsequent to 2009 are as follows:

2010	$ 11,693
2011	6,594
2012	4,031
2013	2,525
2014	1,692
2015 and thereafter	2,670

b) Contingencies:

Mullen Group is party to legal proceedings and claims that arise during the ordinary course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material effect upon Mullen Group's financial position, results of operations or cash flows.

18. Segmented Information

Mullen Group conducts its business through wholly-owned subsidiaries, which are categorized into two business segments. The Oilfield Services segment primarily provides transportation services to the oil and natural gas industry which includes exploration and development companies and production and natural gas transmission companies. The Trucking/Logistics segment provides both long haul and local transportation services to customers in various industries. The following provides financial results by segment:

Year ended December 31, 2009	Oilfield Services	Trucking/ Logistics	Corporate	Intersegment eliminations Oilfield Services	Intersegment eliminations Trucking/ Logistics	Total
Revenue	$ 612,599	$ 372,120	$ 948	$ (4,937)	$ (2,684)	978,046
Income before income taxes and earnings from equity investments	57,209	44,347	9,990	—	—	111,546
Corporate internal facility rent	7,234	3,952	(11,186)	—	—	—
Income (loss) before income taxes and earnings from equity investments	64,443	48,299	(1,196)	—	—	111,546
Depreciation	49,523	8,830	3,223	—	—	61,576
Amortization	14,753	3,830	25	—	—	18,608
Total assets	1,353,563	199,735	373,589	—	—	1,926,887
Capital expenditures [1]	21,699	6,475	2,594	(2)	(2,459)	28,307
Goodwill	[illegible]	73,549	—	—	—	846,441

Year ended December 31, 2008	Oilfield Services	Trucking/ Logistics	Corporate	Intersegment eliminations Oilfield Services	Intersegment eliminations Trucking/ Logistics	Total
Revenue	$ 835,176	$ 485,158	$ 2,232	$ (3,347)	$ (4,995)	$1,314,224
Income (loss) before income taxes and earnings from equity investments	126,337	69,924	(85,227)	—	—	111,034
Depreciation	50,380	8,981	2,924	—	—	62,285
Amortization	12,968	3,825	25	—	—	16,818
Total assets	1,482,479	229,982	169,616	—	—	1,882,077
Capital expenditures [1]	44,491	13,345	22,146	—	—	79,982
Goodwill	[illegible]	73,465	—	—	—	844,420

[1] Excludes business acquisitions

(Tabular amounts in thousands, except share and per share amounts)

19. Related Party Transactions

All related party transactions are provided in the normal course of business under the same terms and conditions as transactions with unrelated companies.

Nature of transaction	Nature of relationship	Amount of the transaction			
			2009		2008
Revenue:					
Transportation services	a, b	$	**7,731**	$	10,210
Other revenue	b		**154**		3
Sale of property, plant and equipment	a, b		—		—
		$	**7,885**	$	10,213
Expenses:					
Transportation services	a, b	$	**1,420**	$	1,087
Other	b, c		**884**		1,255
Purchase of property, plant and equipment	a,c		—		—
		$	**2,304**	$	2,342
Earnings from equity investments	a	$	**122**	$	6,283
Balances as at December 31:					
Accounts receivable			**400**		4,718
Accounts payable			**14**		50

Nature of relationship:

a Related by equity investment:

	Equity Ownership
Pe Ben USA Inc. (until October 31, 2008)	50%
Durango Oilfield Services Ltd. (from February 1, 2008 to August 6, 2009)	50%

b Related by common officer or director

c Private companies owned or controlled by an officer or director

20. Financial Instruments

(a) *Fair Values*

The following summarizes the significant methods and assumptions used in estimating fair values of financial instruments. The fair values of financial assets and liabilities approximate their carrying values.

(i) *Accounts receivable*

The fair value accounts receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) *Investments*

The fair value of financial assets designated as held-for-trading, is determined by reference to their quoted bid price at the reporting date. When market prices are not available, comparisons to similar instruments and calculations using common valuation techniques may be employed.

(Tabular amounts in thousands, except share and per share amounts)

20. Financial Instruments, (continued)

(iii) *Non-derivative financial liabilities*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For capital leases the market rate of interest is determined by reference to similar lease agreements.

(iv) *Fair values versus carrying amounts*

The following table compares the fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	December 31, 2009	
	Carrying amount	Fair value
Private Placement	(404,520)	(393,813)
Debentures	(116,162)	(134,728)
Accounts payable and accrued liabilities	(69,288)	(69,288)
Various financings	(8,121)	(8,119)
Cash and cash equivalents	204,899	204,899
Accounts receivable	151,049	151,049
Investments	6,101	6,101
	$ (236,042)	$ (243,899)
Unrecognized loss		$ (7,857)

The fair value of the Private Placement and the Debentures was determined using the Level 2 classification of the fair value hierarchy. The fair value of Investments was determined using the Level 1 classification of the fair value hierarchy.

(b) Credit risk

Credit risk is the risk of financial loss to Mullen Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Mullen Group's receivables from customers and investment securities.

(i) *Accounts receivable*

Mullen Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Mullen Group hauls a wide variety of freight for a broad customer base which spans numerous industries. Longer-term contracts are with large, well established customers. No customer accounted for more than ten percent of Mullen Group's revenue in 2009.

Management has established a credit policy under which new customers are reviewed individually for creditworthiness before Mullen Group extends credit. Mullen Group's review includes external ratings, where available, and in certain cases bank references. Customers that fail to meet Mullen Group's benchmark creditworthiness may transact with Mullen Group only on a prepayment basis. Mullen Group reviews accounts receivable aging on an ongoing basis as part of its process in managing its credit risk.

(Tabular amounts in thousands, except share and per share amounts)

20. Financial Instruments, (continued)

The aging of accounts receivables as at December 31, 2009 is as follows:

	December 31, 2009		
	Gross	Allowance	Net
Not past due	$ 88,468	$ —	$ 88,468
Past due 31-60 days	41,867	—	41,867
Past due 61-90 days	12,175	—	12,175
More than 90 days	11,102	2,563	8,539
Total	$ 153,612	$ 2,563	$ 151,049

Mullen Group establishes an allowance for doubtful accounts that represents its estimate of potential losses in respect of trade and other receivables. The main component of this allowance is a specific provision that relates to individually significant exposures. As at December 31, 2009, Mullen Group's allowance for doubtful accounts totaled $2.6 million.

(ii) Guarantees

Mullen Group has $1.7 million of Letters of Credit outstanding, which were issued to guarantee certain performance and payment obligations. These Letters of Credit reduce the amount available under the Bank Credit Facility (see note 9).

(c) Liquidity risk

Liquidity risk is the risk that Mullen Group will not be able to meet its financial obligations as they fall due. Mullen Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mullen Group's reputation. Typically, Mullen Group ensures that it has sufficient cash or available credit lines to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, Mullen Group maintains a Bank Credit Facility (see Note 9).

The following are the contractual maturities of financial liabilities, excluding interest payments and the impact of any option to purchase equipment at the end of the term:

December 31, 2009	Carrying amount	Contractual cash flows	3 months or less	2010 - 2011	2012 - 2013	Thereafter
Private placement	404,520	404,520	—	—	—	404,520
Convertible Debentures	116,162	116,162	—	—	—	116,162
Financing and other loans	8,121	8,121	458	2,843	4,706	114
Operating leases	29,205	29,205	2,923	15,364	6,556	4,362
Accounts payable and accrued liabilities	69,288	69,288	69,288	—	—	—
Total	627,296	627,296	72,669	18,207	11,262	525,158

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchanges rates, interest rates and equity prices will affect Mullen Group's income or the value of its holdings of financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Mullen Group has investments designated as held for trading with an initial cost of $11.4 million. A $1.4 million unrealized gain on these investments was recorded in 2009. Mullen Group has recorded a $5.3 million unrealized loss on these investments on a cumulative basis.

20. Financial Instruments, (continued)

(i) *Currency risk*

Mullen Group has U.S. $235.0 million in Senior Guaranteed Unsecured Notes which exposes Mullen Group to foreign currency fluctuations. Interest on these borrowings is denominated in U.S. and is also exposed to foreign currency fluctuations.

Mullen Group is exposed to currency risk on sales, purchases and loans that are denominated in U.S. funds.

(ii) *Sensitivity analysis*

A $0.01 strengthening of the CDN. dollar against the U.S. dollar at December 31, 2009 would have increased equity and net income by approximately $1.6 million net of tax. This analysis assumes that all other variables, in particular interest rates, remain constant. A $0.01 weakening of the CDN. dollar against the above currencies at December 31, 2009 would have had the equal but opposite effect.

(iii) *Interest rate risk*

Mullen Group manages its interest rate risk through a combination of fixed and floating rate borrowings. In the short-term, Mullen Group is exposed to fluctuations in floating interest rate terms on the Bank Credit Facility. In the long- term, Mullen Group is susceptible to the opportunity costs associated with interest rate decreases as the interest rate on long-term debt is fixed.

(iv) *Fair value sensitivity analysis for debt instruments*

As at December 31, 2009, Mullen Group does not account for any fixed rate financial liabilities as held for trading and Mullen Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect net income with respect to these fixed rate instruments. Mullen Group was not utilizing the Bank Credit Facility at December 31, 2009.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Murray K. Mullen
Chairman, Chief Executive Officer and Director

Alan D. Archibald[(1), (2)]
Director

Greg Bay[(1), (2)]
Director

Steven C. Grant[(1), (2)]
Director

Dennis J. Hoffman, CA[(1), (2)]
Director

Stephen H. Lockwood, Q.C.
President, Co-Chief Executive Officer and Director

Richard Peterson
Director

Patrick Powell
Director

Bruce W. Simpson[(1), (2)]
Director

David E. Olson
Vice President, Finance and Chief Financial Officer

Roberta A. Wheatcroft
Corporate Secretary

(1) Member of the Audit Committee
(2) Member of the Compensation, Nomination and Governance Committee

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AUDITORS

KPMG LLP
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To Our Shareholders

Chairman's Message 09

2009 is over and thankfully so. It was at times terrifying. It was never fun. And for the most part there are very few positives to talk about. So I will heed the advice of my mother who reiterated to me on numerous occasions in my younger years – "If You Have Nothing Nice To Say, Say Nothing At All". Besides, everything that needed to be said about last year has already been communicated to our stakeholders.

In this year's message I will seek to clarify the opportunities and challenges that lie ahead for our organization. My purpose in doing so is to provide you with a level of insight into the thinking that will guide our investment decisions in 2010 and beyond. But let me be clear. I have no proprietary information as to what the economy and the markets we serve will actually be like. I can, however, provide you with how I view the data. And as with any forecasting – results may differ significantly and probably will.

THE ECONOMY IS RECOVERING

It is fascinating to watch and listen to very smart people across the globe analyze every single piece of economic data that hits the wires with relentless rapidity. What is apparent is that these gurus are divided as to near term outlook for the economy, jobs, deficits and the financial markets. So I am fairly certain that if they cannot figure out What's Next, surely I have little chance.

On the other hand there are a few facts that indicate the global economy is in recovery mode. Credit is more readily available today, a sure sign that the financial system has been saved from the excesses and greed of the few. This in spite of the latest published data that estimates global fiscal deficits accumulated this year and last are approaching $14 Trillion[1]. Of course we do not know the long-term consequences of the unprecedented steps taken to save the system but the system has been saved in the short term. Commodity prices have risen substantially from the 2009 lows, although not to peak levels of 2008. Stock valuations have recovered providing a level of confidence and new capital for our customers involved in the mining and energy sectors. And generally speaking, everyone is feeling a whole lot better, unless of course you are one of the far too many that cannot find meaningful employment. To these less fortunate – THIS IS A DEPRESSION. For the rest of us this probably means our overall total compensation will be lower than during the last business cycle, at least until activity levels and employment recover from today's levels.

On balance I view the current economic situation as positive and certainly better than last year. As such, I expect our 25 business units on whole will do better in 2010. The real opportunities for the Mullen Group only get brighter in the years to follow. Let me explain.

[1] Donald Coxe – The Coxe Journal, February 19, 2010

Mullen Group Ltd.

Prior to 2009 credit was readily available to almost anyone. As a result our competitors, many of whom will not meet even the simplistic tests, (by this I mean a return on capital), simply grew too fast adding capital equipment at an unsustainable pace. In today's market where demand for services is less than during previous years there is an over capacity situation, which is putting downward pressure on pricing. Even well run companies such as ours are not immune to the laws of supply and demand. But to many of our competitors these are more than just difficult times. Ultimately I believe many of them will fail, however until they do predatory pricing prevails in the markets as they do what they have to just to survive. Over time their equipment gets older, wears out and generally becomes more costly to operate. This now becomes the opportunity for those that are well capitalized and have the know how to invest at the opportune time.

There is also another dynamic that occurs in the market during severe corrections, such as 2009. Customer loyalty is thrown out the window. Everyone enters a phase of what I refer to as "Survival Mode". Under situations like this price becomes the only determinant to the successful bid. Value means nothing as companies do what is natural – lower costs. But does lower price really mean lower costs? At Mullen we do not believe so. In fact, we subscribe to that old saying – "You Can Pay Me Now or Pay Me Later". Or as I say, you don't get a new vehicle for the same price as a clunker. As time goes by I believe customers will realize that the value our business units bring to their business is worth that very small pricing differential we ask for over that of our competitors. And by the way, we only ask for the differential if we do in fact deliver value to our customers. If we don't that is my problem and you can be assured I will deal with it because at the end of the day Mullen's value proposition to our customers is quite simple – we can save you money!! How else do you survive 60 years in competitive, cyclical industries such as trucking or the oil and natural gas service industry.

In summary, I fully expect our business units will gain market share and generate a healthy return for our shareholders over this next business cycle. Mullen is well capitalized and we will fund new capital for our business units to ensure they are the lowest cost provider in their respective markets and that they can deliver real value to their customers. All of this within the context that any new capital must generate an acceptable return for our shareholders.

THE VALUE OF A STRONG BALANCE SHEET

Maintaining a strong balance sheet is very dear to me. I learned the lessons very early on that you should not, nor can you, rely upon banks or anyone else for that matter when times get tough. This explains why I always refer to a strong balance sheet as one of Mullen's competitive advantages. Many of our competitors had not learned this very tough lesson, but they will.

I have also learned that a strong balance sheet does not necessarily mean no debt on the balance sheet. In fact this is an important distinction that our shareholders need to understand. In my early years as CEO of Mullen I was totally against taking any balance sheet risk, which explains why Mullen always had a self-imposed debt-to-equity ratio of .5 to 1. Over time and with experience I learned that it was not so much how much debt your company had, but how your debt was structured. For this reason Mullen accessed the private debt markets in 2006, a time when interest rates and debt covenants were very favourable to Mullen. In fact, our first debt repayments do not begin until 2016. By that time Mullen will be a bigger, more profitable company, one that the private debt markets will continue to look at favourably. Our goal is to make private structured debt an integral component of our capital structure, one that provides a level of security to our shareholders but also one that allows for the best returns as possible.

In terms of where Mullen's balance sheet is today, we enter 2010 with nearly $200 million of cash, no bank debt, unused lines of credit, accompanied by a business model that generates earnings from 25 business units that are sufficient to fund our annual interest payments of approximately $37 million, sustainable capital expenditures of $25 million, growth capital of $15 million, return $40 million to our shareholders by way of dividends, pay our taxes and still have cash left over to fund growth. From this perspective I am one very happy and satisfied CEO. My next goal is to ensure it only gets better from this point on.

Acquisition opportunities at this time are plentiful but few have yet to meet our investment thresholds. A perfect example of the discipline we have in terms of committing new capital for acquisitions was our recent approach to the Livingston International bid. We analyzed this opportunity carefully and thoroughly but we knew the price we could pay for this company. Ultimately our bid was unsuccessful and we moved on to new opportunities. For this I make no exceptions nor any apology. We will only acquire those companies that fit our business model and add value to Mullen shareholders over a business cycle. Growth for the sake of growth is not in our strategic plan. So I say to all shareholders – be patient, opportunities will arise. We will be cautious but not overly so. This is your money and if we cannot find opportunity we will give it back to you.

FINAL COMMENTS

2009 was the most difficult and challenging year of my career. I had the unenviable task of overseeing the reduction of over 1,000 people in our organization, none of which was a result of their actions or their fault. It was a terrible year. As shareholders you also had a difficult year but it was not terrible principally due to the past decisions of your executive and of your Board of Directors. Together we ensured that your long-term best interests were addressed. I only wish I could have done the same for the 1,000 left to their own. Some days there is no fun in being a CEO. 2009 was one of those times.

As we put closure to 2009 I am also saying goodbye and thanks to two of our Board members. Bruce Simpson has been your representative since 1997. He has served you well, challenging me at times but always supportive. He is the consummate board member and will be missed. Ric Peterson has been a member of the Board and a significant shareholder since our amalgamation with Producers Oilfield Services in 2006. He is a true entrepreneur, successful in so many ways, and someone who really understands how a business works. I will miss both of them, wish them all the best, and thank them on behalf of all fellow Board members and Shareholders.

I am also delighted to announce that Bruce Mullen will be re-joining Mullen's board, a position he vacated in 2005 to make room for new Board members. His experience and understanding of Mullen and the markets we serve are a valuable asset to myself and ultimately to all shareholders. Welcome back Bruce.

Sincerely, and on behalf of your Board of Directors,

Murray K. Mullen
Chairman and Chief Executive Officer
March 10, 2010

BUSINESS UNITS

Oilfield Services Segment

DRILLING SERVICES
OK Drilling Services L.P.
Treo Drilling Services L.P.

PRODUCTION SERVICES
Brady Oilfield Services L.P.
Cascade Energy Services L.P.
E-Can Oilfield Services L.P.
Heavy Crude Hauling L.P.
Pro North Oilfield Services
R.E. Line Trucking (Coleville) Ltd.
Spearing Service L.P.

DRILLING RELATED SERVICES
Formula Powell L.P.
FSJ L.A.N.D. Transport L.P.
Mullen Oilfield Services L.P.
Pe Ben Oilfield Services L.P.
Swanberg Bros. Trucking L.P.
Withers L.P.

SPECIALIZED SERVICES
Canadian Dewatering L.P.
Premay Equipment L.P.
Premay Pipeline Hauling L.P.

Trucking/Logistics Segment

Cascade Carriers L.P.
Grimshaw Trucking L.P.
Kleysen Group L.P.
Mill Creek Motor Freight L.P.
Mullen Trucking L.P.
Payne Transportation L.P.
Tenold Transportation L.P.

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